Asia Credit Research

Singapore Credit Outlook 2016

Thursday, 7 January 2016

- **We expect stagnant to lower SGD corporate bond issuance volumes in 2016 compared to 2015 due to increasingly selective investor behavior and a weaker regional growth outlook amidst a turn in the credit cycle and a general risk-off sentiment. Issuance of bank capital instruments could make up for some of the slack however.**

- **Given challenging credit conditions, we advocate investors to focus on shorter-dated names with solid market positions, cash flow stability or clarity, as well as ongoing access to liquidity.**

- **The turn in the credit cycle has resulted in innovative developments to maintain market access, particularly for issuers with riskier credit profiles. We see these developments as positive for the SGD corporate bond space and expect them to continue in 2016.**

- **The operating environment for Singapore REITs will remain challenging for each subsector given demand/supply fundamentals. Nevertheless we expect their credit profiles to remain largely stable given solid asset quality, controlled leverage and pro-active risk management.**

- **Private residential prices are expected to dip 5%-15% over 2016-2017 with primary residential sales muted at between 6,000-9,000 units. Cooling measures are likely to stay in place. The larger developers should be able to withstand a protracted slowdown while smaller developers should see their credit profiles continue to deteriorate.**

- **A continued recovery in China's property market against the backdrop of favourable policies and improved liquidity from the opening of the onshore bond market should see improving credit profiles in 2016 for Chinese developers after a strong year for China property paper.**

- **Hong Kong developers under our coverage should be able to withstand a slowdown in the residential and retail market in 2016, supported by diversified operations and recurring cash flows from investment properties.**

- **Our offshore marine coverage continues to be pressured by the sustained slump in energy markets. Leverage and liquidity ratios have deteriorated due to EBITDA weakness, despite attempts to stabilize absolute debt levels. Covenant relief has been sought by some issuers, and more could come. Technical factors remain mixed, with 2016 maturities a challenge for some issuers in the sector.**

- **Although the Monetary Authority of Singapore ("MAS") has yet to finalize the relevant regulations, retail corporate bond offerings in 2015 received an overwhelmingly positive investor response. We see this as part of the on-going development of the SGD corporate bond market but caution investors to consider if the returns adequately compensate them for the risk, particularly as the credit cycle heads south.**

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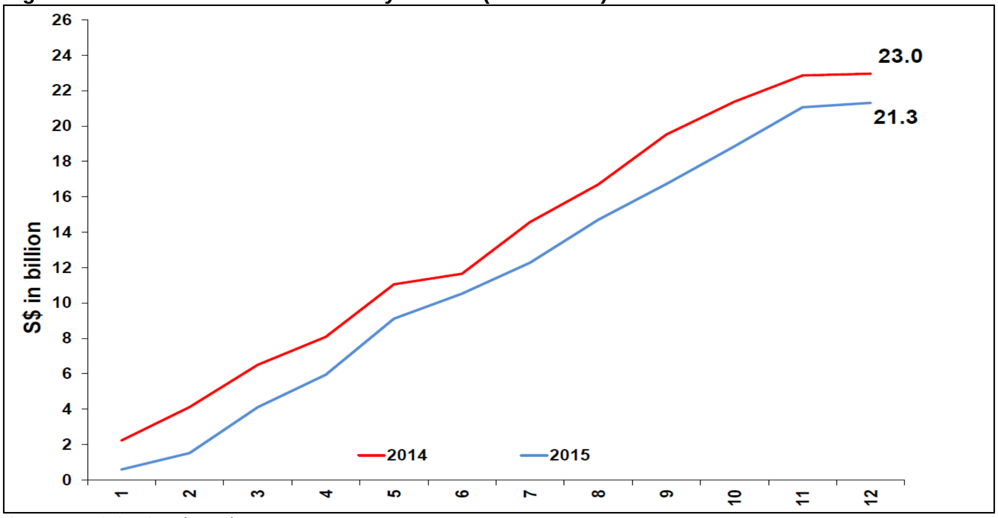
FY2015 Singapore Corporate Bond Market Review

Overall issuance volume largely unchanged y/y

Issuance volumes in 2015 finished lower than 2014 (and below the 5 year average issuance volume) following the seemingly never-ending wait for the US interest rate hike and prevailing economic uncertainties which saw increasingly selective investor behaviour and issuance volumes generally lagging 2014 levels through the year. This was due to the lack of issuance by the Housing & Development Board ("HDB") until later in the year. Its first rated issue in November along with the Land Transport Authority's substantial SGD2.5bn issuance in August and September made up somewhat for the weaker issuance trend throughout the year.

Figure 1:SGD bond issuances monthly volume (cumulative)



Sources: OCBC, Bloomberg

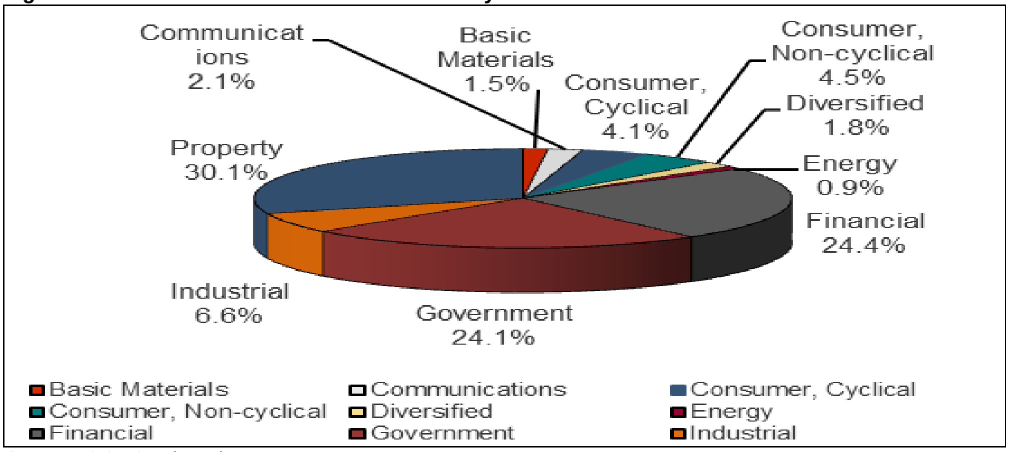
Sector trends intact although more issuers 'banking' on Singapore

Another reason for the pick-up in issuance volumes in the second half was the strong issuance volumes from financials, which comprised 24.4% of total issuance in 2015, up from 14.8% in 2014. 2015 was a year that saw Singapore as a destination for the issuance of bank capital instruments, as highlighted by Julius Baer's landmark SGD450mn additional tier 1 ("AT1") deal (the first AT1 deal by a foreign bank in Singapore). This deal was followed two weeks later by a SGD250mn BNP Paribas tier 2 ("T2") issuance. In total, 5 foreign banks tapped the SGD market for Basel III-compliant bank capital issuance including BPCE, Westpac and ANZ who also issued T2 papers earlier in the year. Foreign issuers were attracted to the SGD market for their capital requirements given competitive pricing (often using tight local bank capital as comparables which allowed issuers to price inside their existing curve), the depth of the market which allowed the banks to achieve decent issuance sizes comparable to the USD market, and investor demand for subordinated bank paper denominated in SGD which were in limited supply. The fact that these papers were rated with relatively high yields also made these papers attractive. We expect these factors along with banks' significant capital requirements and phasing out of older style capital instruments to make it conducive for banks to continue issuing capital instruments in SGD in 2016.

Sentiment and a change in the credit cycle driving new issuance profile

With heavy issuance of bank capital instruments, overall sector issuance continues to be dominated by financials, followed by property and government related issuers. While overall issuance by sector is in line with prior years, there was some difference in y/y sector trends for issuance volume, reflecting prevailing credit conditions and sentiment. In 2015, the consumer and industrial sectors saw smaller issuance volumes reflecting the slower growth outlook and increasingly risk-off sentiment with most issuers in these segments likely to be classified as high yield. In contrast, financials, property and government related sectors saw higher y/y issuance volumes reflecting the more investment grade characteristics for the bulk of issuers in these segments.

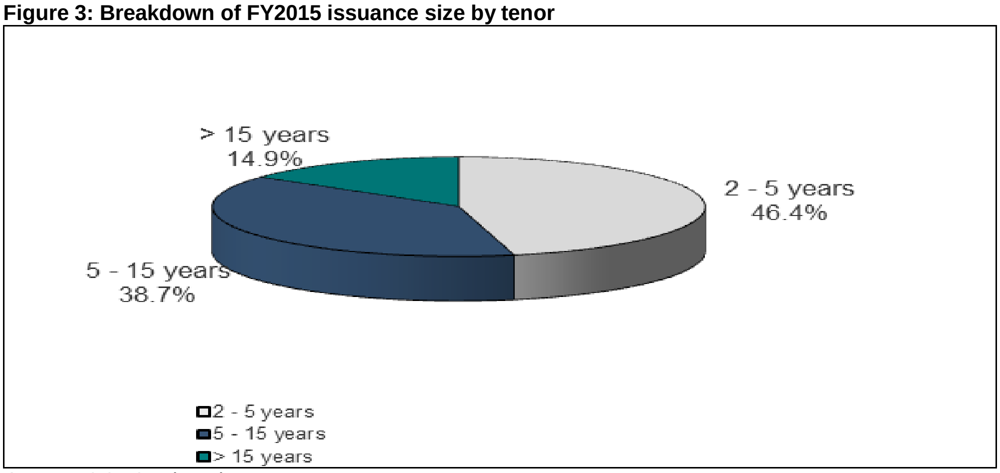
Figure 2: Breakdown of FY2015 issuance size by sector



Source: OCBC, Bloomberg

Issuers continued to print shorter-dated paper (2-5 years) in 2015, accounting for 46.4% of total new issuance by dollar value. Longer-dated tenors (5-15 years) comprised 38.7% with the remaining 14.9% having tenors of 15 years and longer (including perpetual securities). Of note however is the declining proportion of shorter-dated paper in 2015 compared to 2014 (53.2%) and 2013 (62.9%), again reflecting the change in the credit cycle and the increasing difficulty for high yield issuers, who typically issue shorter tenor paper, to tap the market.

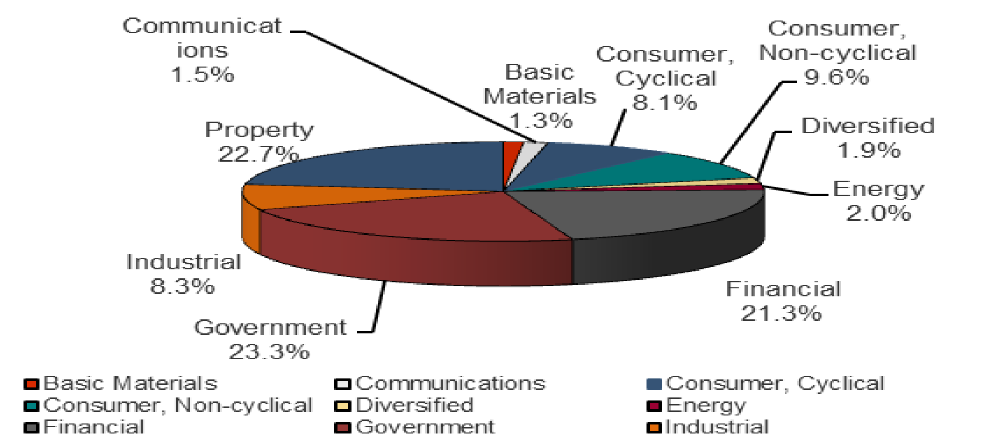
Figure 3: Breakdown of FY2015 issuance size by tenor



Source: OCBC, Bloomberg

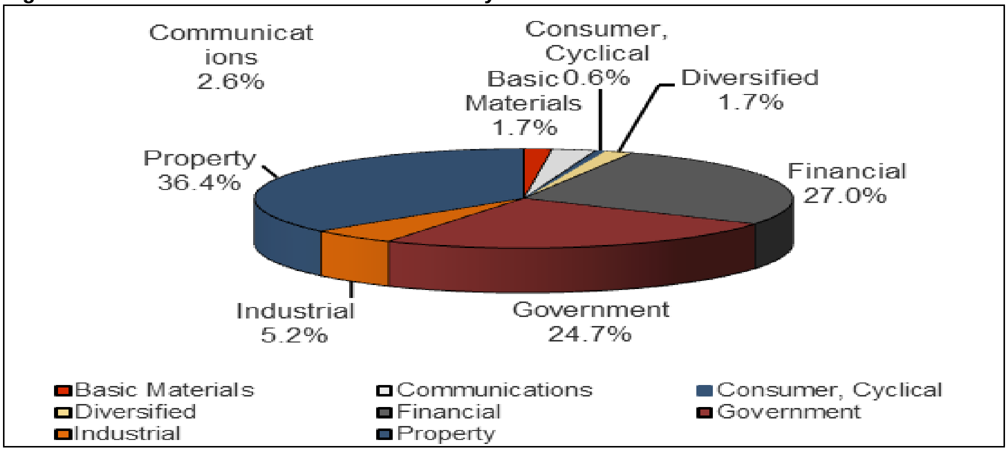
Issuance trends per tenor follow the overall market issuance trend although as expected there continues to be a higher proportion of property, government and financial related issuers and a lower amount of industrial and consumer related issuers in the longer-dated (more than 5 years) tenor segment reflective of the credit dispersion between these sectors.

Figure 4: Breakdown of FY2015 issuance size by sector for 2Y-5Y tenor



Sources: OCBC, Bloomberg

Figure 5: Breakdown of 1H2015 issuance size by sector for >5Y-15Y tenor



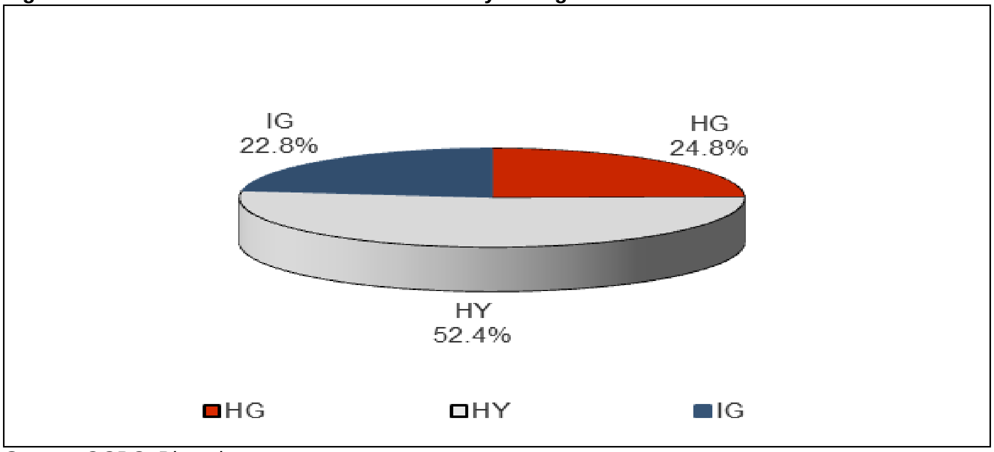
Source: OCBC, Bloomberg

Despite investor concerns on higher interest rates going forward, seven companies successfully issued perpetuals in 2015, the same number of perpetual issuers as 2014. The difference however was the total face value of perpetual issuance in 2015 of SGD2.95bn compared with SGD1.825bn. This reflects the relatively stronger credit quality of perpetual issuers in 2015 which were either rated investment grade at the issuer or issue level or part of well-known established business groups in Singapore. In comparison, 5 of the 7 issuers of perpetuals in 2014 have credit profiles that resemble high yield characteristics.

<u>And possibly more supply of rated paper</u>

Investment grade rated paper issuance has also increased, rising from 39.6% by dollar value of 2014 new issuance to 47.6% in 2015. In particular, we think an important development would be HDB becoming the first Singapore statutory board to obtain an international credit rating from Moody's in October 2015. This was likely driven by bank requirements to meet SGD liquidity coverage ratios (LCR). By obtaining a rating, HDB bonds are now classified as level 1 high quality liquid assets and no longer subject to haircuts or limits in the calculation of LCR for local banks which increases the attractiveness of and demand for HDB bonds from bank ALM desks. The rating also increases the broader demand for HDB's bonds by potentially expanding HDB's funding base to foreign investors and real money investors with investment mandates that require bonds to be rated. While the rating should impact favourably on funding costs for future issuance, it has already benefitted HDB's existing issues. For instance, the SGD500mn 2.288% HDBSP'19s (issued September 2014) were trading at ~60bps above government yields as at end-1H2015. Now it is trading at ~42bps above government yields and negative relative to swaps. We think the positive funding cost implications for HDB could motivate other Singapore statutory boards to pursue an international credit rating.

Figure 6: Breakdown of FY2015 issuance size by Rating Profile



Source: OCBC, Bloomberg

Buy now, pay later?

As the credit cycle has turned, investor appetite for the riskier part of the credit curve has soured. Private bank demand in particular has progressively slowed as investors became more focused on credit fundamentals rather than on returns. Investors are now asking themselves whether they will be made to pay for past market exuberance. A buoyant SGD corporate bond market in recent years and low global interest rates created an environment with minimal credit dispersion and the pursuit for yield which invited riskier issuers to enter the market. Now that credit dispersion is increasing, riskier issuers are finding the going tough, necessitating the need to seek covenant relief through consent solicitation exercises. Nine issuers implemented consent solicitation exercises in 2015 for a variety of reasons including covenant amendments for covenant relief, a significantly high volume and relatively unique occurrence for the SGD corporate bond space. While these exercises generally resulted from issuer stress, we see some positives from this market development and expect improved market resilience. For one, the onus falls on issuers to explain their intentions to investors and increase their transparency to drum up support for the amendments. Secondly, they increase investor awareness of covenants and sensitize them to pay more attention to covenants and terms of issues going forward during primary issues. Finally, issuers and investors will now be better prepared for the next market downturn and know what to expect when stressed conditions arise.

Survival necessitates evolution

The shifting credit landscape also saw some issuers struggling to launch new deals in 2015, forcing them to utilize innovative structures to maintain market access and support funding needs. Most notably, these structures involved external credit support using standby letters of credit (PT Logindo Samudramakmur Tbk) or committed funding facilities (Ezion Holdings Ltd). Issuers also sought to restructure balance sheets for mainly optical rather than fundamental improvement. Vallianz Holdings, an associate company of Swiber Holdings, is planning to refinance the bulk of its vessel financing held at its Rawabi Vallianz Offshore Services Limited subsidiary via an off-balance sheet Sukuk arrangement. While this is expected to lower interest costs, the main impact will be a sharp improvement in balance sheet gearing although Vallianz Holdings will still be contingently liable for the debt.

Challenging industry conditions also resulted in better placed credits implementing somewhat unique structures. IVL Singapore Pte Ltd, a subsidiary of Indorama Ventures Public Co. Ltd, issued its first SGD bond using a guarantee from the Credit Guarantee & Investment Facility (CGIF), a trust fund of the Asian Development Bank. Rated ‘AA’ by Standard & Poor’s, it was the first CGIF-guaranteed issue for a Thai company. City Developments Ltd ("CDL") recently announced that it will inject 3 Singapore office properties into a joint investment platform with Keppel Land's fund management and advisory arm Alpha Investment Partners ("Alpha") to recycle capital and monetize assets. This move de-levers CDL's already strong balance sheet to withstand what could possibly be a protracted slowdown in Singapore property. Finally, DBS issued Singapore's inaugural covered bond under its global covered bond program. This was followed by the establishment of a global covered bond program by UOB although no issues have been launched as yet. We previously mentioned [1] how covered bond characteristics benefit regulators, investors and issuers and view these innovations as increasing the sophistication of the SGD corporate bond market.

Retail bonds to the fore

2015 also saw the continued development of the retail bond market with MAS planning to announce proposed changes to legislation, making it easier for companies to offer retail bonds as well as to make these bonds more accessible to retail investors. These changes include:

- Enhancing secondary trading in retail bonds;
- Lowering issuance costs by reducing the amount of documentation for subsequent issues by existing retail bond issuers or qualified new issuers; and
- Lowering the minimum investment for retail investors to $1000 from $2000.

Clearly on the face of it, the proposed changes seem positive for market participants if implemented. Investors get access to higher yielding investments, while issuers broaden their investor base. For the government, it assists the on-going development of the SGD corporate bond market, increases both primary and secondary liquidity and could assist corporates in getting access to alternate sources of funding.

Although there has been some delay in the finalization of the proposed rule changes, corporate retail bond offerings in 2015 still received an overwhelmingly positive investor response. Of the 9 retail bonds currently on issue, 4 were done in the past six months with each being at least 3x oversubscribed (Frasers Centrepoint Limited in May, Aspial Corp in August, Perennial Real Estate Holdings Ltd and Oxley Real Estate Holdings Ltd in October).

What does this recent success mean for issuers? On the plus side, issuers broaden their investor base and potentially lower their relative funding cost. They also are able to leverage off of their well-known names in the domestic market and implied potential sponsor or majority shareholder support. A possible negative impact though is more market volatility and higher liquidity risks. MAS highlighted in the November 2015 MAS financial stability review that retail investor participation is growing, particularly in the Asian HY corporate bond market segment. This could increase market liquidity volatility according to MAS as retail funds have historically sold down significantly more than institutional funds during turbulent times.

More importantly though is what this means for investors. In our view, investors are possibly going down the credit curve to access retail investments so investors first need to assess whether the higher yields they're getting is adequate compensation for the risk. Recent retail issues were all unrated and the issuers mostly have challenging credit fundamentals in our view from high execution risks, high gearing and weak liquidity. Nevertheless, the issuers were able to lock in coupons in the 5% range (in some cases tighter than their most recent non-retail issue despite longer tenor) and it is debateable whether the coupons adequately reflect issuers leverage and fundamental credit profile. The second question is whether retail investors are sufficiently aware of the risks of investing in these bonds. Under the bond seasoning proposals and exempt bond issuer framework, eligible issuers could be exempted from the prospectus requirement for additional offers of new retail bonds.

[1] Singapore Mid-Year 2015 Credit Outlook, Wednesday 1 Jul 15.

Finally, investors need to consider if there are any safeguards in place. While, the proposed legislation is expected to only apply to straight corporate bonds with a maximum tenor of 10 years (as opposed to say subordinated or perpetual bonds) and issuers will still be required to provide key information on the risks and features of the bonds to investors in a product highlights sheet, MAS has emphasized that the onus is on investors to do their due diligence and understand the risks and return.

The growth of the retail bond space provides additional support for the development of the SGD corporate bond market. However, we believe that the use of retail bonds is more commercially and practically attractive for higher yielding (and unrated) credits. Therefore, we caution retail investors to do their homework to understand the fundamentals and relative value, particularly as the credit cycle turns south.

FY2016 credit outlook – credit dispersion and selective demand to pressure supply and volumes

Our outlook expectations for 2016 are based on greater emphasis on credit quality given expected market volatility, a weaker regional growth outlook and increasingly discerning investor appetite, with yield chasing no longer the main driver. Like 2015, we expect private banking clients to take a step back. We anticipate these developments to have the most impact on demand for higher yielding credits in 2016. Greater awareness of country risk, industry risk and offshore structural subordination following idiosyncratic credit events in 2015 may also boost selectivity for these names. We expect these conditions to spur more issuance of novel and credit supportive issue structures to help riskier issuers access primary markets.

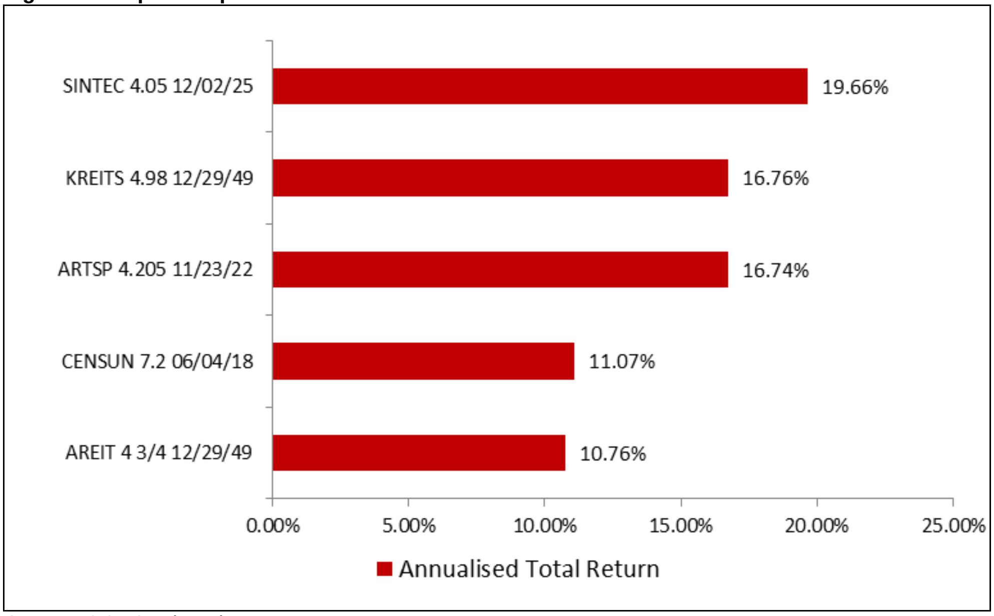
For higher quality issuers, we expect investor demand will remain and perhaps increase but only on investor’s terms. The potential increase in demand will benefit better quality issuers the most as it could drive competition for their paper. Depending on the pace of interest rate hikes and the US recovery, we could see a continuing preference for shorter-dated paper although we expect investors will be willing to accept longer tenor for access to better quality names. We also expect overall demand for SGD issues to be influenced by the currency outlook. For investors with both USD and SGD mandates, SGD primary issues could seem relatively unattractive to issuer’s USD curves given broader market expectations for continued USD appreciation against the SGD. In summary, we think overall demand will be increasingly selective in 2016.

On the supply side, we expect high yield supply to be constrained by the selective demand and expect a lack of first-time high yield issuers, particularly foreign ones. We also expect less demand for funding given the weaker growth outlook, with some issuers having already frozen investment plans until respective industry fundamentals recover. That said, there will still be some level of high yield supply. In particular, refinancing needs in 2016 will be elevated compared to 2015. Elsewhere, looming maturities would necessitate more innovative structures to incentivize and attract investors. Finally, the warm response to retail issues in 2015 as well as the proposed legislation changes could stimulate more supply.

We expect the investment grade pipeline to remain busy with issuers maintaining their growth strategies (mostly outside Singapore). However, we believe investment grade supply will have to be more investor friendly, seeking to balance concessions with coupons while controlling funding costs. We expect the stronger credits in this segment though to use the tough operating conditions and credit dispersion to their advantage by leveraging off their strong fundamentals to benefit from the increasingly selective demand in 2016. We anticipate these strong credits, in particular the S-REITs, could issue more perpetuals to manage gearing levels and shore up balance sheets for future growth. We also expect banks to again be strong issuers in the SGD space given their rising capital requirements and the phasing out of old style capital instruments. In summary, we expect overall supply will continue to move up the credit curve with investment grade issuers to be more willing and able to tap the market in 2016.

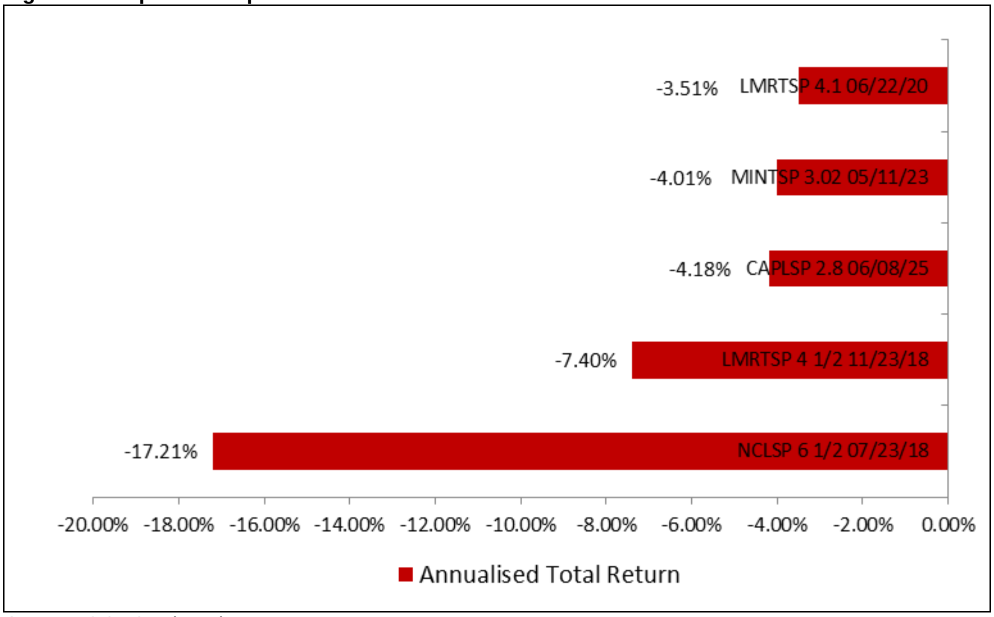
We therefore expect the above demand/supply dynamics to have a stagnant to negative impact on primary issuance volumes in 2016 relative to 2015, especially in the high yield space. This however could support secondary trading and a flight to quality amidst challenging credit conditions. We therefore believe investors should selectively focus on shorter-dated names with solid market positions, cash flow stability or clarity as well as ongoing access to liquidity. With market sentiment weak and the economic outlook clouded, issuers and book runners will need to work harder to get deals done as was the case in the second half of 2015 for higher yielding names. We think this could ultimately be beneficial for investors and the development of the Singapore bond market in general.

Figure 7a: Top 10 outperformers from the FY2015 new issues



Source: OCBC, Bloomberg

Figure 7b: Top 10 underperformers from the FY2015 new issues



Source: OCBC, Bloomberg

Sustained weakness in oil means no solace for offshore marine sector

No recovery in sight

Hopes for a recovery in global energy prices in the latter part of 2015 have been dashed, with oil prices (Brent) plunging more than 40% through 2H2015, touching ten-year lows. Oil majors have responded with more capex cuts. For example, ConocoPhillips recently announced 2016 estimated capex of USD7.7bn, 24.5% lower than 2015 levels and less than 50% of what was spent in 2014. Chevron has also announced cutting 2016 estimated capex to USD26.6bn, about 24% lower than the amounts spent in 2015. With continued cuts on upstream activities, the offshore marine industry will continue to face a challenging environment heading into 2016.

Deeper in the red

We believe that 1H2016 will be a continuation of the trends seen thus far in 2H2015. Oversupply in OSVs and drilling rigs is expected to persist, given that newbuilds (orders made during boom times) continue to be delivered. Managing utilization levels will be crucial for OSV and rig owners, in order to service vessel financing, though they may be facing the tough choice of trading long-term profitability in exchange for survival. In particular, rig owners benefitted from lag relative to the weak environment as their existing contracts (which were longer dated) have only started to expire. Lease rates have faced significant pressure due to oversupply and the slump in demand. For the rig builders and OSV shipyards, though their existing order backlogs will be helpful in supporting lean times, their order books have shrunk through 2015 (the exception being SembCorp). Furthermore, with clients facing stress, we have seen orders being delayed, leading to lower revenue recognition. We have even seen order cancellations, which might lead to revenue reversals. With 3Q2015 results highlighting thin margins, or even losses, we can expect 4Q2015 numbers to be similarly weak.

Figure 8: Revenue and earnings – Offshore Marine

Issuer	3Q2015 Revenue (mn)	y/y change	q/q change		3Q2015 Net Profit (mn)	y/y change	q/q change
I) Rig Builders							
Keppel Corp Ltd (SGD)	2,439.8	-23.4%	-4.8%		362.9	-12.4%	-8.5%
Sembcorp Industries Ltd (SGD)	2,399.5	-21.8%	0.5%		122.3	-37.8%	-45.3%
II) OSV Charterers							
Otto Marine Ltd (USD)	63.0	-35.0%	-11.6%		-5.5	N.M	N.M
Pacific Radiance Ltd (USD)	33.8	-23.9%	-2.9%		1.7	-87.3%	-55.8%
III) Rig Charterers							
Ezion Holdings Ltd (USD)	86.2	-9.1%	-4.3%		30.3	-38.4%	4.8%
Swissco Holdings Ltd (USD)	10.4	-63.1%	-43.2%		11.2	38.7%	-15.3%
IV) Shipyards							
ASL Marine Holdings (4QFY2015) (SGD)	76.0	10.8%	3.6%		5.2	-63.4%	253.9%
Nam Cheong Ltd (MYR)	189.3	-69.4%	-1.8%		0.0	N.M	N.M
V) Offshore EPC Contractors							
Ezra Holdings Ltd (4QFY2015) (USD)*	147.4	N.M	N.M		-7.8	N.M	N.M

Source: OCBC, Company **Calendar quarter 3Q2015, except Ezra (quarter ending August 2015, adjusted due to JV)*

Managing the leverage

In general, offshore marine issuers have seen their credit profile deteriorate. In particular, net debt/EBITDA has worsened sharply due to earnings weakness. In terms of net gearing, the deterioration is less pronounced (in some instances we have seen improvements), and have shown some stabilization on a q/q basis. Given the weak outlook, rig and OSV owners are now pulling all levers to improve utilization, from redeploying vessels to other markets or taking on less profitable contracts. The yards are finding work in non-offshore related businesses, such as landing craft and semi-sub cranes, though these areas might be difficult to scale up. One positive factor for 2016, would be that committed capex is likely to be lower when compared to 2015, and this would be helpful in preserving cash.

Figure 9: Credit profile – Offshore Marine

Issuer	Net Gearing			Net Debt / EBITDA		
	2013	2014	3Q2015	2013	2014	3Q2015
I) Rig Builders						
Keppel Corp Ltd (SGD)	11%	11%	52%	0.7x	0.7x	3.4x
Sembcorp Industries Ltd (SGD)	-5%	44%	55%	-0.2x	2.3x	3.7x
II) OSV Charterers						
Otto Marine Ltd (USD)	163%	195%	201%	-23.6x	39.2x	11.3x
Pacific Radiance Ltd (USD)	60%	52%	82%	3.7x	4.4x	8.5x
III) Rig Charterers						
Ezion Holdings Ltd (USD)	115%	86%	104%	5.7x	4.0x	5.5x
Swissco Holdings Ltd (USD)	-2%	83%	65%	1.5x	10.0x	4.0x
IV) Shipyards						
ASL Marine Holdings (4QFY2015) (SGD)	92%	112%	125%	3.8x	6.4x	7.5x
Nam Cheong Ltd (MYR)	52%	42%	97%	2.3x	1.7x	14.4x
V) Offshore EPC Contractors						
Ezra Holdings Ltd (4QFY2015) (USD)	98%	116%	77%	17.6x	9.7x	13.8x

*Source: OCBC, Company *Calendar quarter 3Q2015, except Ezra (quarter ending August 2015, adjusted due to JV)*

Technical factors mixed

Given the weak outlook, several offshore marine issuers have turned to investors for covenant relief. Of the nine issuers mentioned earlier conducting consent solicitation exercises, six were energy related issuers and all six sought relief for their financial covenants. These issuers have mostly not yet tripped their covenants, and were taking pre-emptive measures to generate covenant headroom. Looking forward, by amending the covenants, this provides the issuers with more operational flexibility to navigate the downturn, as well as help to avoid technical defaults. On the downside, investors have less protection, or may face poorer recoveries should the issuers fall into distress. The negative headlines from offshore marine issuers seeking covenant relief have also pressured their bonds, exacerbating the poor liquidity situation already impacting the market for these issues. We expect to see more offshore marine issuers seek covenant relief given the challenging environment. On the bright side, the maturity schedule for energy and offshore marine issues for 2016 looks manageable at SGD1.25bn. We can expect some issuers to require innovative structures, such as seeking external credit support, in order to refinance their bond maturities.

Figure 10: Maturity schedule – Energy / Offshore Marine

Issuer Name	Ticker	Cpn	Maturity Date	Amount Issued	Curr
Ezra Holdings Ltd	EZRASP	4.75	21/03/2016	95,000,000	SGD
Vallianz Holdings Ltd	VALZSP	7.2	01/04/2016	100,000,000	SGD
Swiber Holdings Ltd	SWIBSP	5.125	06/06/2016	130,000,000	SGD
Swiber Holdings Ltd	SWIBSP	7	06/07/2016	75,000,000	SGD
Otto Marine Services Pte Ltd	OTMLSP	7	01/08/2016	70,000,000	SGD
Mencast Holdings	MCASSP	5.75	12/09/2016	50,000,000	SGD
China Coal Solution Singapore Pte Ltd	CCSSP	7.5	26/09/2016	180,000,000	SGD
Perisai Capital Labuan Inc	PPTMK	6.875	03/10/2016	125,000,000	SGD
Swiber Holdings Ltd	SWIBSP	5.55	10/10/2016	100,000,000	SGD
United Energy Financing Bermuda Ltd	UNIENE	6.85	17/10/2016	100,000,000	SGD
Marco Polo Marine Ltd	MPMSP	5.75	18/10/2016	50,000,000	SGD
AusGroup Ltd	AUSGSP	7.45	20/10/2016	110,000,000	SGD
Vallianz Holdings Ltd	VALZSP	7.25	22/11/2016	60,000,000	SGD
Total				**1,245,000,000**	

Source: OCBC, Bloomberg

For Singapore REITs, the best defense continues to be good offense

Our view remains unchanged with Singapore REITS ("S-REITs") across all segments facing a soft operating environment in the coming 12 months. Operating conditions will be characterized by lower property prices and weaker rental reversions from unfavourable supply/demand dynamics and higher interest costs. For example, we have already seen Starhill Global REIT achieving negative rental reversions of 7.3% in 1Q2016 ended 30 Sep 15 (although the leases committed accounted for less than 3% of its Singapore retail portfolio excluding Ngee Ann City Retail) and CMT's rental reversion increase reducing to 4.1% for the 9 months to 30 Sep 15 compared to an annual average of 6.3% in the past 5 fiscal years (2010-2014). That said, we expect S-REITs credit profiles to remain largely stable given their solid asset quality, controlled leverage and pro-active risk management. Our areas of focus for 2016 will be on debt management, leasing activity and growth strategies.

Significant supply and muted demand characterize the operating outlook for office and industrial S-REITs in 2016. Both sectors have witnessed a fall in property prices and rental indices reflecting significant new supply coming on stream in 2016 and an uncertain demand environment. According to CBRE, grade A office market rent fell 3.5% in 3Q2015 to SGD10.90/sqft compared to 2Q2015. OCBC Investment Research project a 0% to -5% decline in Grade A CBD office rents in 2015 and a further correction of -10% to -20% in 2016. For the industrial sector, manufacturing continues to be the main weakness in Singapore's economy and this is expected to impact demand and leasing activity for industrial properties in 2016. Average rents for multi-user factory space and business park space fell 1.1% and 1.4% respectively q/q during the July-September quarter according to the URA.

Figure 11: Singapore Office Sector Indices

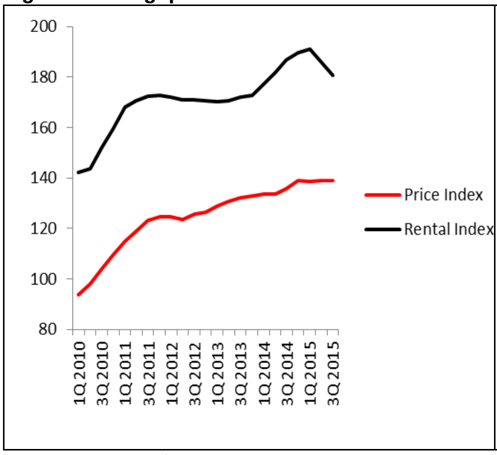
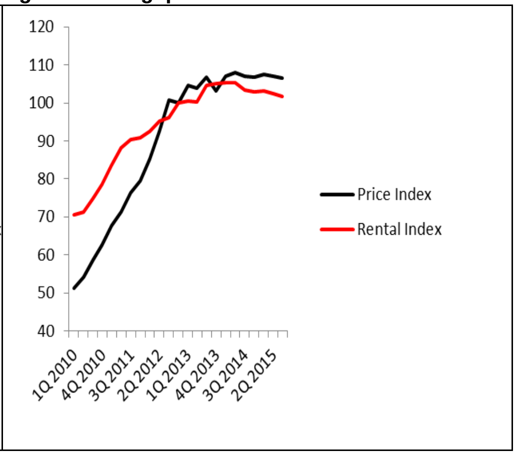


Figure 12: Singapore Industrial sector Indices



Source: URA, JTC

Figure 13: Office supply pipeline

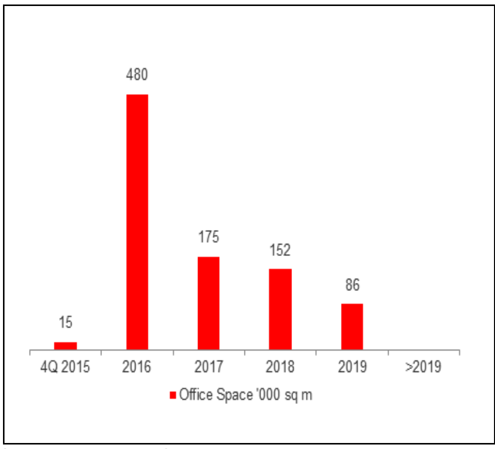
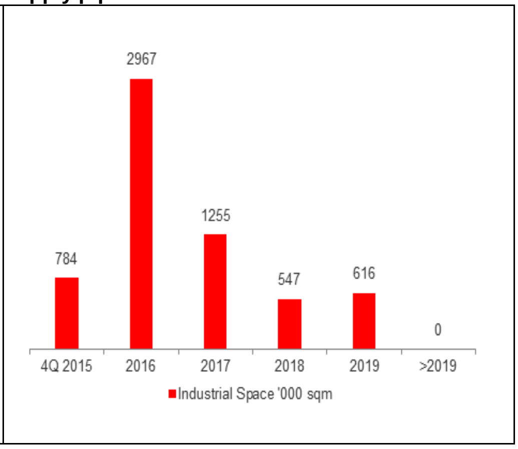


Figure 14: Industrial (Factory + Warehouse) supply pipeline



Source: URA, JTC

Elsewhere, more idiosyncratic or industry specific trends continue to impact the operating outlook for hospitality and retail S-REITs. Hospitality S-REITs have been exposed to the vagaries of the region's economic outlook with soft international visitor arrivals to Singapore in the first half of this year. For instance, shopper traffic at MCT's Vivo City was down 1.9% in 1H2016 compared to 1H2015. Numbers of international visitor arrivals to Singapore have since recovered in the second half of 2015 and are now consistent with 2014 numbers for the Jan to Oct period, thanks largely to a strong increase in Chinese arrivals that have more than compensated for the fall in visitor numbers from Indonesia. Nevertheless, hotel operators have had to discount hotel room rates to maintain occupancy levels impacting their revenue per available rooms so far in 2015. Looking forward, hospitality REIT performance in Singapore will be influenced more by a significant amount of new hotel rooms coming on stream over 2016-2017 rather than weak demand and we expect this will weaken growth prospects. Ascott Residence Trust ('ART') is the only hospitality REIT under our coverage and we expect ART to be somewhat immune to the industry challenges given its large and well diversified portfolio, stable income from master leases and management contracts and focus on corporate and long stay travellers.

Retail S-REITs are likely to be exposed to weaker consumer demand due to slower economic growth, which will impact retailer's sentiment and sensitivity towards rental reversions. This has already resulted in a fall in the URA's retail rental index in 3Q2015. The weak consumer environment will add to existing retail sector pressures from manpower shortages, additional supply of retail space coming on-stream, and competition from e-commerce. OCBC Investment Research expects prime Orchard Road rentals to decline by low single-digits for both 2015 and 2016, while suburban rents are expected to remain flat this year, but decline marginally in 2016 due largely to higher supply.

Figure 15: Indices for Singapore's Retail sector

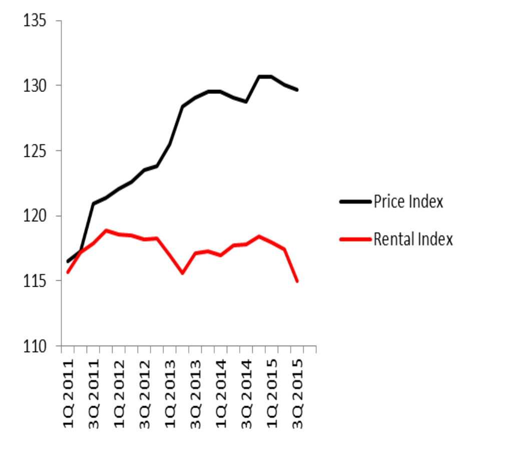
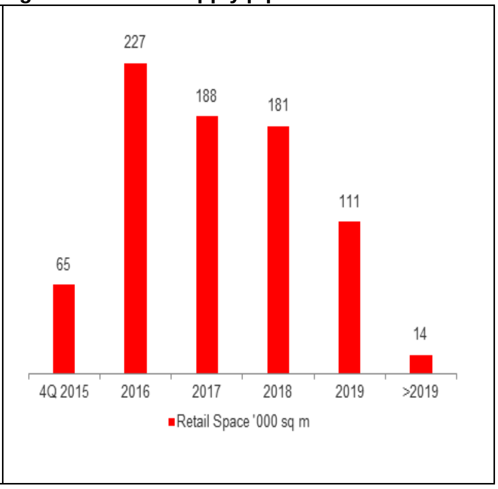


Figure 16: Retail supply pipeline



Source: URA

On the plus side, S-REITs under our coverage still have solid asset profiles which should provide a buffer to the weaker rental outlook given the assets strategic locations and ability to attract new tenants and retain existing ones. S-REITs under our coverage have also continued to pro-actively manage expiring leases and have either maintained or improved their occupancy levels and extended their weighted average lease expiry in the second half of 2015. Several S-REITs have sought to improve their asset profile through Asset Enhancement Initiatives (ART, FCT, AREIT, Starhill, CMT, Suntec REIT, CCT, MIT) or acquisitions to improve the scale and diversity of their assets (ART, AREIT, CMT, MLT). These improvement initiatives have been funded mostly with debt given still low interest rates resulting in a slight increase in average aggregate leverage to 34.7% as at 30 Sep 15 from 33.7% at 30 Jun 15. Still, S-REITs leverage remains at comfortable levels for their existing credit profiles and provides adequate headroom under the MAS aggregate leverage limit in-case of falling capital values and possible acquisition activities. In our view, this reflects management's prudent capital management and pro-active risk management in the current operating climate. We note that S-REITs in general strive to maintain aggregate leverage at around 40% and tolerate only temporary increases above this level to maintain headroom under the MAS target leverage ratio and external credit ratings. S-REITs have sought to control leverage in 2015 through the issuance of perpetual instruments (AREIT, ART and Keppel REIT), equity-like issues (AREIT, CMT, FREIT and ART (distribution reinvestment plan)) and capital recycling (ART, AREIT, CMT, Suntec REIT, MLT). Given the weaker outlook, we expect S-REITs will continue to look to equity funding to maintain their leverage profiles given management's pro-active risk management despite the fact that equity like instruments have higher funding costs.

S-REITs also continue to pro-actively manage their debt maturity profile and average funding costs in anticipation of higher interest rates having already refinanced the bulk of their 2016 maturities. S-REITs ability to manage its finances is somewhat attributable to their solid asset quality. Average debt duration continues to be relatively long at 3.6 years and average funding costs have more or less remained stable at 3.0%. In general, S-REITs should be sheltered from impending interest rate rises with more than 80% of debt either on fixed rates or hedged in anticipation of the interest rate hikes

With the above in mind, our focus areas for S-REITs in 2016 will be leasing activity, debt management and growth strategies. Frasers Centrepoint Trust and Starhill Global REIT have the highest proportion of leases expiring in the next two financial years (29-65% of total leases) compared to the rest of our coverage (around 27% exc. ART and FREIT) while CapitaLand Commercial Trust and Mapletree Logistics Trust have the lowest proportion of leases expiring in the next two financial years. At the same time, Frasers Centrepoint Trust has a relatively high proportion of debt maturing in the next two financial years (65% of total debt) compared to an average of 34% for our S-REIT coverage. That said, FCT's maturing debt amount is comparatively small to peers and it has solid credit metrics from low aggregate leverage and low debt cost so we don't expect FCT to face issues with refinancing its existing debts. In fact, FCT lowered its leverage and borrowing costs in FY2015 compared to FY2014. Again, we think this is due to the defensive nature of FCT's suburban mall focused assets which are expected to be more resilient to the current economic climate. We expect S-REITS to continue to pursue organic and in-organic growth in 2016 to combat the weak outlook. Given S-REITs risk management focus and current leverage levels though, we expect S-REITS to be able to manage this growth within existing credit profiles in the next 12 months.

Figure 17: Debt profile and statistics of S-REITs under coverage (as at 30 September 2015)

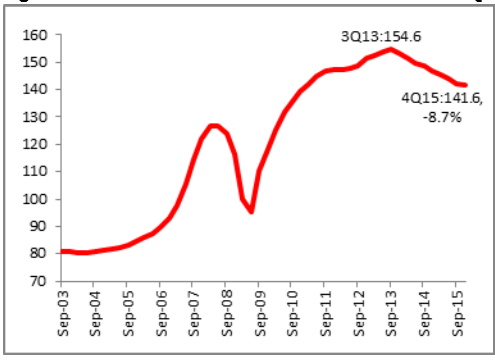
	Aggregate leverage# (%)	Debt duration (years)	Debt cost (%)	Proportion of debt fixed/hedged (%)
OFFICE				
CapitaLand Commercial Trust	30.1	3.7	2.4	83.0
Mapletree Commercial Trust	36.4	3.9	2.4	70.6
Suntec REIT	35.8	2.8	2.7	70.0
Average:	**34.1**	**3.5**	**2.5**	**74.5**
RETAIL				
CapitaLand Mall Trust	33.8	5.8	3.3	98.0
Frasers Centrepoint Trust	28.2	1.6	2.4	75.0
Starhill Global REIT	35.7	3.8	3.1	100.0
Average:	**32.6**	**3.7**	**2.9**	**91.0**
INDUSTRIAL				
Ascendas REIT	34.6	3.6	2.7	72.1
Mapletree Industrial Trust	29.7	3.8	2.3	80.0
Mapletree Logistics Trust	38.8	3.4	2.3	81.0
Average:	**34.4**	**3.6**	**2.4**	**77.7**
HOSPITALITY				
Ascott Residence Trust	40.0	4.2	2.8	76.0
Average:	**40.0**	**4.2**	**2.8**	**76.0**
HEALTHCARE				
First REIT	32.5	3.0	4.0	95.0
Average:	**32.5**	**3.0**	**4.0**	**95.0**
Average:	**34.7**	**3.6**	**2.9**	**82.8**

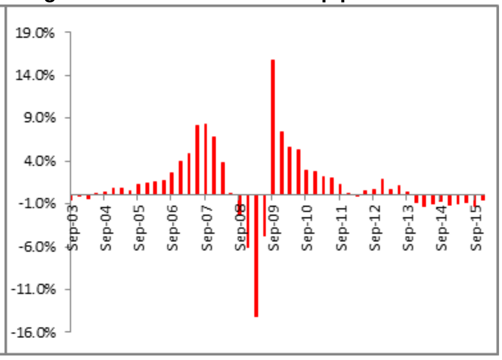
*Source: Companies, OCBC estimates *Gross debt/Total asset*

Singapore Property – Oversupply of units and higher mortgage rates to extend a protracted but gentle decline in home prices

Singapore private home prices continue to decline with flash estimates for the 4Q2015 URA property price index down 0.5% q/q extending losses for 2015 to 3.7%, following a 4% decline in 2014. Since peaking in 3Q2013, prices have now declined 8.7% over the past two years. The declines have been led by the mid-market segment with the Rest of Central Region ("RCR") registering peak to trough declines of 9.94% followed by Core Central Region ("CCR", high-end) at 8.86% and Outside Central Region ("OCR", mass market) at 6.67%. Primary sales volumes for 2015 meanwhile are expected to hover at ~7,500 levels seen last year with 9M2015 sales at 5,800 units. While the primary market remains weak, there has been a pickup in the resale market as value starts to emerge in the secondary market with resale volumes up 31% y/y and 17.4% y/y in 2Q2015 and 3Q2015, respectively.

Figure 18: URA Price Index down 8.7% since 3Q13 **Figure 19: Nine consecutive q/q declines**

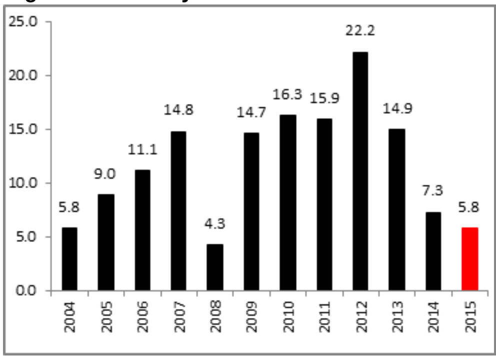


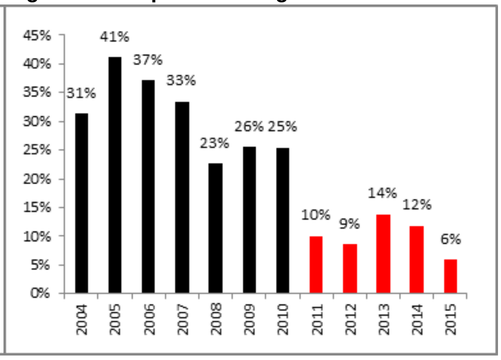


Source: URA, OCBC

Forecasts from OCBC Investment Research ("OIR") have private residential prices dipping 5% - 15% over 2016-2017 and 2016 primary residential sales muted at between 6,000-9,000 units. OIR also expects residential rentals levels to fall 8%-15% over 2016-2017 and vacancy levels to increase from 7.8% currently to about 10% by end 2017. That said, significant side-lined demand is likely to come in at lower price points, hence a sharp price crash similar to 2008 is unlikely. We are more likely to see a period of prolonged and managed (by policy adjustments) decline in prices given 2 key drivers 1) oversupply of units; and 2) higher mortgage rates. The mass market segment could underperform in the current backdrop as the upward adjustment in the combined household income ceiling to SGD14,000 for executive condominiums ("EC") unleashes more competition from ECs for eligible homebuyers.

Figure 20: Primary sales lowest since 2008 **Figure 21: Proportion of high end sales hit hard**





Source: URA, OCBC

In terms of potential reversals of property cooling measures, we do not see much impetus for the government to introduce populist measures given the landslide victory in the General Election (70% of votes) in September this year. This is also consistent with the current government rhetoric that policy reversal is nowhere near. Besides, the price declines seen so far remain muted in the context of the price increases seen in the recovery from the global financial crisis (+62.2%). Barring a sharp drop in prices, we think the Singapore government will be content with the shallow trajectory of engineered price declines given the focus on making homes more affordable and reducing household debt. That said, OIR sees the Additional Buyer Stamp Duty ("ABSD") as the prime candidate for adjustments along with continued reductions in the pace of land sales via the Government Land Sales ("GLS") programme.

The strategies of the developers under our coverage seem to suggest prolonged pain in the Singapore property market as well, with developers continuing to focus on overseas expansion. One of the more visible examples has been City Developments Ltd ("CDL") which has historically been the most levered to the Singapore market. The company acquired SGD1.3bn in overseas assets in 2014 and has continued its overseas expansion in 2015. CDL recently announced a re-entry into the Australian market via a joint venture in Brisbane and also acquired a site in South West London for development.

We note that one of the reasons for weak primary sales from completed projects (i.e. sales from completed inventory by developers) have been the substantial number of secondary transactions which have undercut pricing by developers. This is especially prevalent in the CCR and RCR regions whereas the OCR regions remain driven by primary supply. As such we believe that developers could ease prices marginally to move inventory and keep pace with falling prices in the secondary market in 2016. We do not see sharp fire sales as most developers have the balance sheet to withstand the drawn-out weakness in the property market.

China Property – Continued recovery with catch-up from lower tier cities

China's residential market staged an uneven recovery in 2015 after the downturn in 2014 through 1Q2015. On an aggregate basis, November housing data from the National Bureau of Statistics showed that prices were up 0.9% y/y (October 2015: +0.1% y/y), the second consecutive month of y/y increases having registered m/m increases since May 2015. However, this belied a bifurcated market where Tier 1 cities (Shenzhen +43.9% y/y, Shanghai +13.1% y/y, Beijing +7.7% y/y, Guangzhou +8.1% y/y) made up the bulk of the gains while smaller cities lagged. Transaction volumes also picked up nationwide with 11M2015 GFA and sales transactions up 7.9% y/y and 18% y/y, respectively.

Figure 22: China residential sales y/y (%)

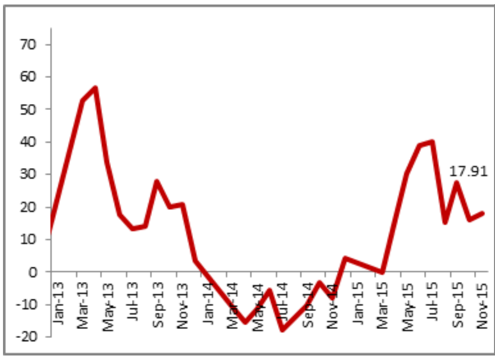
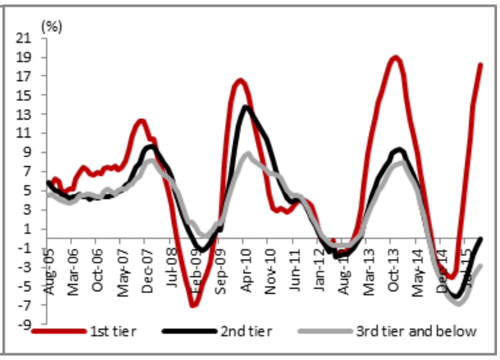


Figure 23: China new home prices (%)



Source: National Bureau of Statistics of China, Bloomberg

Figure 24: China REI remains soft

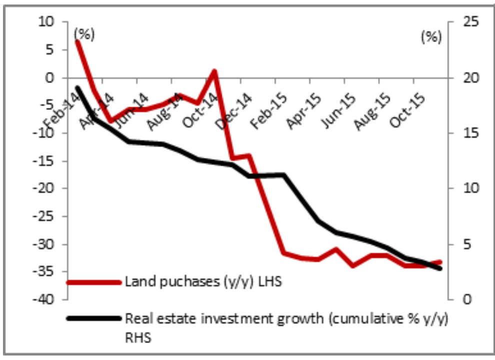
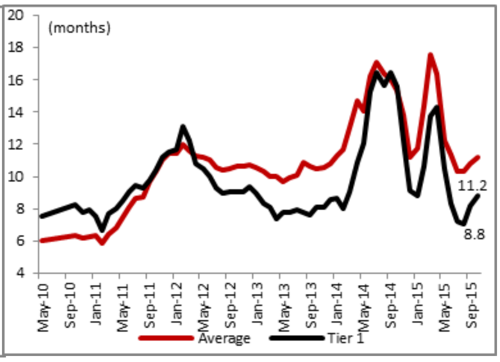


Figure 25: China residential inventories



Source: National Bureau of Statistics of China, Bloomberg

Despite the improvement in sentiment from homebuyers, this has yet to translate into better investment sentiment from the developers. Developers have generally been cautious in landbanking and investment this year. In 11M2015, land acquisitions were down 33.1% y/y to 198.94mn sqm. Growth in fixed asset investments in real estate slowed to 1.3% y/y while new GFA starts were down 14.7% y/y to 970.77mn sqm. This tepid investment appetite has resulted in an improvement in the nationwide oversupply of residential units from levels at the start of the year.

We expect to see the lower tier cities stage a stronger recover vis-a-vis the first tier cities in 2016. Policy stance towards the sector is expected to remain favourable; however the government is adopting a more nuanced approach. The Chinese government excluded the four first tier cities (Beijing, Shanghai, Shenzhen, Guangzhou) in the last 2 easing measures. In fact, there could be heightened policy risks in these cities. We are beginning to see signs of this with Beijing barring non-residents of the Tongzhou district and those who have not paid social insurance or taxes there for at least three years, from buying second homes in the area. This is in response to a price surge following the planned municipal government centre and first Universal Studios theme park in China in the district. That said, we expect overarching policy stance towards the sector to remain accommodative until we see a pickup in real estate investment.

The improvement in the physical property market along with lower funding costs from onshore bond market access and looser monetary policy should see improving credit profiles in 2016 for the Chinese developers after a strong year for USD and SGD China property paper.

Headwinds for residential and retail but office rents to be supported on lack of supply

Residential

HKMA's tightening measures in February 2015 failed to dampen enthusiasm in Hong Kong's residential property market with prices continuing to bubble upwards especially in the mass market segment (smaller units below 100 sqm). However, early signs of weakness emerged in October's property data with prices falling 1.11% m/m and transactions down 23% m/m to 3,300. Year-to-date, prices are still up 8.7% while sales volumes were down 7.2% y/y to 49,113 units. Colliers International cited anecdotal evidence that buyers are walking away from deals and forfeiting deposits as sentiment soured. The primary market will likely dominate residential sales as developers offer more incentives and launch apartments at attractive prices which will pressure the secondary market. Hong Kong's residential market faces headwinds in 2016 as the diverging dynamics of higher rates and sluggish growth could compound challenges already posed by cooling measures and sky-high valuations. That said, we are unlikely to see a sharp correction as household leverage is not high (due to the prudent property measures) and supply remains manageable. We expect a gradual decline in prices similar to what the Singapore property market has been experiencing since 3Q2013 which is in line with the consensus view among the major property consultancy firms (Knight Frank, Colliers, Jones Lang Lasalle and Savills) for prices to decline between 5-10%.

Figure 26: HK residential price index

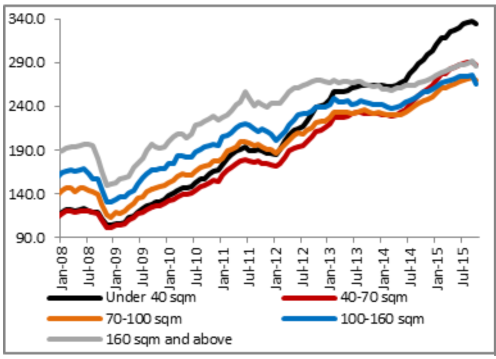
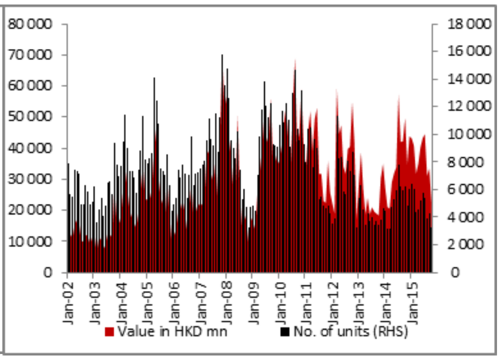


Figure 27: HK residential transactions



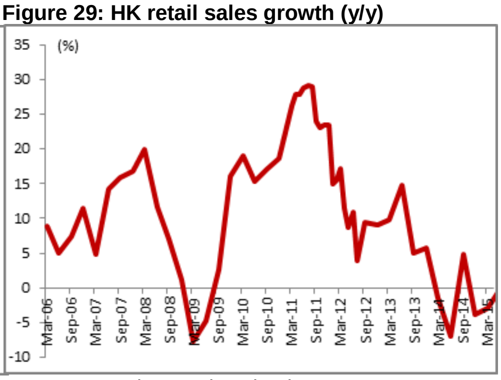
Source: Rating and Valuation Department Hong Kong, Bloomberg, OCBC

Retail

Hong Kong retail sales fell for the 8th consecutive month in October, down 3% y/y. The declines have been led by a plunge in luxury retail sales due to China's economic slowdown and anti-graft drive. The challenging retail environment is likely to persist in 2016 as inbound tourism slows (-2.7% y/y in October, -0.8% 10M2015) due to a stronger HKD and drop in mainland arrivals. Street-level rents have been hit hard, with rents down 22.1% in 9M2015 according to Savills Research and Consultancy. Shopping mall rents on the other hand have weathered the downturn pretty well with rents up 2.2% in 9M2015. We expect the resiliency in shopping mall rents from our coverage universe to continue in 2016 as landlords continue to have bargaining power and benefit from a diversified tenant leasing base.

Figure 28: HK retail rent growth (y/y)

Figure 29: HK retail sales growth (y/y)



Sources: Census and Statistics Department Hong Kong, Rating and Valuation Department Hong Kong,Bloomberg, OCBC

Office

Hong Kong office vacancies and rents substantially outperformed other commercial sectors such as retail in 2015. 9M2015 rents were up 6.6% driven by vacancies which improved from end-2014 levels of 3.3% to 1.9%. Demand for space was driven by mainland companies in particular mid-tier banks. Supply pipeline remains benign with 169,700 sqm of new office space (1.5% of existing space) coming online in 2016, mainly from decentralized areas like Kowloon. We expect rents and occupancies to be supported in 2016.

Figure 30: HK Grade A office vacancy rate

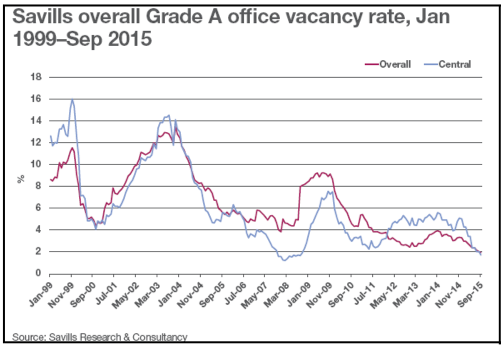
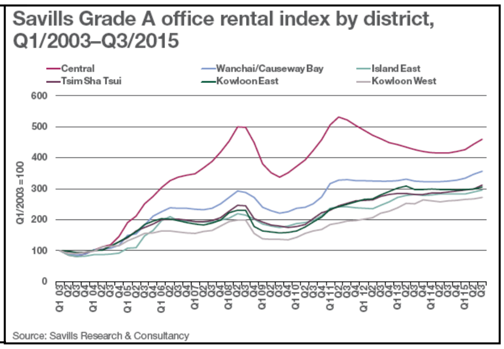


Figure 31: HK Grade A rental index



Source: Savills Research and Consultancy

Overall, Hong Kong developers under our coverage should be able to withstand a slowdown in the residential and retail market in 2016, supported by diversified operations and recurring cash flows from investment properties.

Top Trade Ideas

Top Picks

Company	Ticker	S&P / Moody's / Fitch	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM	Rationale
Yanlord Land Group Ltd	YLLGSP	B+/Ba3/NR	6.20%	8-May-17	SGD400mn	100.50	5.80%	Yanlord's credit profile improved in 2015 after leverage peaked in 2014. YLLGSP'17 is now trading wider to CENCHI'17 which does not seem justified given diverging fundamentals. At current levels (387bps over swaps); YLLGSP'17 looks compelling over CENCHI'17 (380bps over swaps).
Guocoland Ltd	GUOLSP	NR/NR/NR	3.60%	7-Aug-17	SGD170mn	100.40	3.34%	Disposal of the Dongzhimen project which has been dogged by ownership disputes has freed up capital for deleveraging. Completion of Tanjong Pagar Centre in 2016 will also be a positive catalyst. We like the shorter end of the GUOLSP complex.
			3.40%	4-Sep-18	SGD75mn	99.4	3.64%	
First Real Estate Investment Trust	FIRTSP	NR/NR/NR	4.125%	22-May-18	SGD100mn	99.75	4.24%	FREIT's credit profile remains supported by the long weighted average lease expiry and cash flow stability from a lease structure which protects the REIT from downward rental pressure. In our view, the current bond price seems an over reaction to negative news flow in 2H2015 and presents an attractive entry point for investors.
Neptune Orient Lines	NOLSP	NR/NR/NR	4.25%	26-Apr-17	SGD400mn	98.00	5.88%	Transition in ownership has caused the curve to sell-off. The CoC step-up of 150bps for these two bonds would drive yields to very attractive levels for short-dated bonds. CMA CGM, the acquirer, would have elevated leverage post acquisition, but has proven historically to be financially disciplined and is expected to deleverage.
			4.40%	8-Nov-19	SGD300mn	87	8.44%	

Pans

Company	Ticker	S&P / Moody's / Fitch	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM	Rationale
Aspial Corp. Ltd	ASPSP	NR/NR/NR	5.05%	12-Jun-19	SGD130mn	101.30	5.41%	We would avoid the ASPSP curve as there is insufficient compensation for a highly leveraged credit with high refinancing risks.
Hong Fok Corp. Ltd	HFCSP	NR//NR/NR	4.750%	24-Jan-18	SGD100mn	101.75	3.85%	Although HFC's net gearing remains manageable with adequate liquidity, earnings ability is weak. We also see increased risk of supply given the MTN limit increase in 2014. We recommend taking profit on the 18s which are trading at historical tights (177bps over swaps).
Singapore Post Ltd	SPOST	A- *-/NR/NR	4.250%	'49-c'22	SGD350mn	104.50	3.43% (YTC)	Sizable acquisitions, working capital needs for new businesses, capex for building redevelopment as well as dividend payments are likely to drive SPOST into net debt status in the near future. Possible ratings downgrade to weigh on bonds further.
Sembcorp Industries Ltd	SCISP	NR//NR/NR	3.593%	26-Nov-26	SGD150mn	99.00	3.71%	The bond is trading 20bps tighter than the SCISP'24 and 10bps tighter than the SCISP'20s. Fundamentals likely to worsen given weakness in offshore marine as well as competition in the domestic power sector.

Contents

Company Outlooks

Credit Outlook – AREIT's diversified portfolio and strong parentage should allow it to weather industry headwinds. That said, we think the AREIT complex is relatively rich with low spreads across the curve although investors may prefer the AREITSP perp-c20 for exposure to the name.

Issuer Profile: Positive

S&P: Not rated
Moody's: A3/Stable
Fitch: Not rated

Ticker: **AREIT**

Company Profile

Listed in 2002, Ascendas REIT ("AREIT") is the first and largest business space and industrial REIT in Singapore, with total assets of about SGD8.3bn as at 30 Sep 15. AREIT now owns a diversified portfolio of 103 properties in Singapore spanning business and science parks, hi-specs industrial and light industrial properties and logistics & distribution centres, as well as 2 business park properties in China and 26 logistics properties throughout Australia. Its key shareholder is Ascendas Pte Ltd, which owns 17.0% of the trust

Ascendas Real Estate Investment Trust

Key credit considerations

- **Robust 1HFY2016 (end-Sep) results:** Net property income ("NPI") grew 7.4% y/y to SGD248.1mn on the back of contributions from new acquisitions (Aperia and The Kendall), completed asset enhancement initiatives ("AEIs") such as DBS Asia Hub Phase 2, as well as higher rental reversion and occupancy.

- **Slight improvement in portfolio occupancy:** AREIT's portfolio occupancy improved slightly to 89.0% in 2QFY2016 (1QFY2016: 88.8%) due to higher occupancies at 40 Penjuru Lane, Aperia and A-REIT City@Jinqiao. Although the recovery is insignificant, this is the fourth straight quarter of improvement after several quarters of falling portfolio occupancy and we view this as a commendable achievement given the challenging business environment.

- **Outlook remains challenging:** With significant industrial space supply in the pipeline and slowing domestic economic growth, management warned that there may be pressure on occupancy going forward. With that said, management expects to achieve mid-single digit positive rental reversions for expiring leases in FY2016 as average passing rents are lower than current market rents. AREIT reported positive average rental reversion of 9.1% in 2QFY2016. Furthermore, JTC reduced the anchor tenant space requirement from 1,500 sqm to 1,000 sqm with effect from 01 Oct 15 and this will have a positive impact on the leasing market as it expands the pool of qualified anchor tenants.

- **AEIs and capital recycling:** AREIT continues to focus on improving returns from existing buildings via asset enhancement and there are four on-going asset enhancement projects and a logistics development project in Jiashan, China, which amount to ~SGD94.9mn. On the other hand, AREIT divested the BBR Building for SGD13.9mn in September 2015 and the trust will selectively divest properties with limited scope for further income growth going forward.

- **Acquisitions improve portfolio quality and support credit profile:** In November 2015, AREIT completed the acquisition of a portfolio of 26 freehold logistics properties (gross floor area of ~630,946 sqm) located in Australia (Sydney, Melbourne, Brisbane and Perth) for AUD1.01bn. The acquisition establishes AREIT as the 8th largest industrial landlord in Australia and diversifies the trust's portfolio geographically. The Australian portfolio (occupancy rate: 94.4%) has a weighted average lease to expiry ("WALE") of 5.9 years as at end-3Q2015 and lengthens AREIT's WALE to 4.0 years from 3.6 years and improves earnings stability going forward. In addition, A-REIT announced in December that it will acquire One@Changi City for SGD420mn. Although relatively small (total gross floor area estimated to increase by 2%), the acquisition will contribute positively to AREIT given its 97% occupancy with high quality tenants, positive future rental reversion potential with 92% of the net lettable area 14% below current market rents and a WALE of 4.6 years.

- **Management commitment to credit profile to control leverage:** Following the Australian acquisition which was funded by debt and SGD300mn of perpetual securities, AREIT's aggregate leverage increased to 37.8% according to the company. Despite the higher aggregate leverage, we take comfort that management intends to maintain the ratio below 40% going forward. In line with this, the company is proposing to fund its most recent acquisitions in Singapore and Australia entirely with equity. If completed as planned, this will positively impact AREIT's aggregate leverage, reducing it to 36.3%.

Ascendas Real Estate Investment Trust

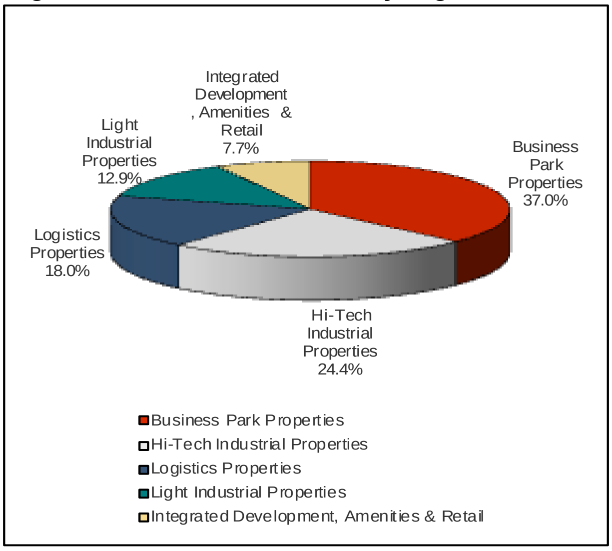
Table 1: Summary Financials

Year Ended 31st March	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	613.6	673.5	363.1
EBITDA	395.9	419.3	225.2
EBIT	395.2	419.0	225.0
Gross interest expense	66.4	72.2	41.8
Profit Before Tax	505.2	404.3	215.6
Net profit	482.0	397.6	214.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	65.9	41.6	36.3
Total assets	7,357.5	8,160.3	8,285.4
Gross debt	2,177.0	2,727.7	2,859.2
Net debt	2,111.0	2,686.1	2,822.9
Shareholders' equity	4,848.6	5,013.6	5,052.7
Total capitalization	7,025.5	7,741.3	7,911.9
Net capitalization	6,959.6	7,699.7	7,875.6
Cash Flow (SGD'mn)			
Funds from operations (FFO)	482.7	398.0	215.0
CFO	407.0	362.4	230.3
Capex	102.3	98.7	195.5
Acquisitions	62.4	557.0	0.0
Disposals	70.0	12.6	38.7
Dividends	325.8	260.8	175.6
Free Cash Flow (FCF)	304.8	263.7	34.7
FCF adjusted	-13.5	-541.4	-102.2
Key Ratios			
EBITDA margin (%)	64.5	62.3	62.0
Net margin (%)	78.5	59.0	59.2
Gross debt to EBITDA (x)	5.5	6.5	6.3
Net debt to EBITDA (x)	5.3	6.4	6.3
Gross Debt to Equity (x)	0.45	0.54	0.57
Net Debt to Equity (x)	0.44	0.54	0.56
Gross debt/total capitalisation (%)	31.0	35.2	36.1
Net debt/net capitalisation (%)	30.3	34.9	35.8
Cash/current borrowings (x)	0.07	0.15	0.07
EBITDA/Total Interest (x)	6.0	5.8	5.4

Source: Company, OCBC estimates

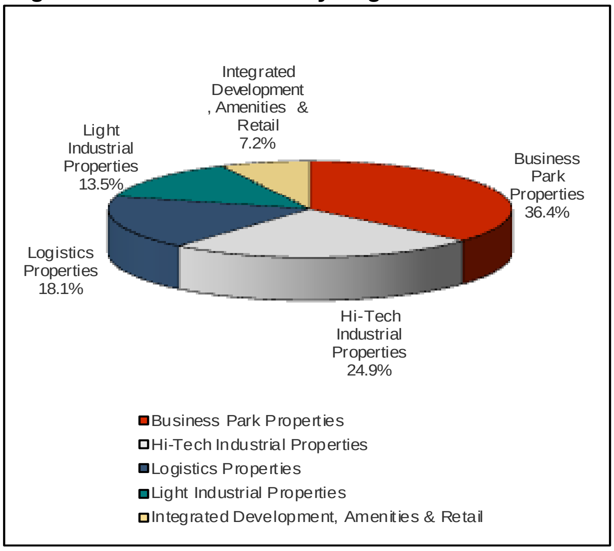
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2016



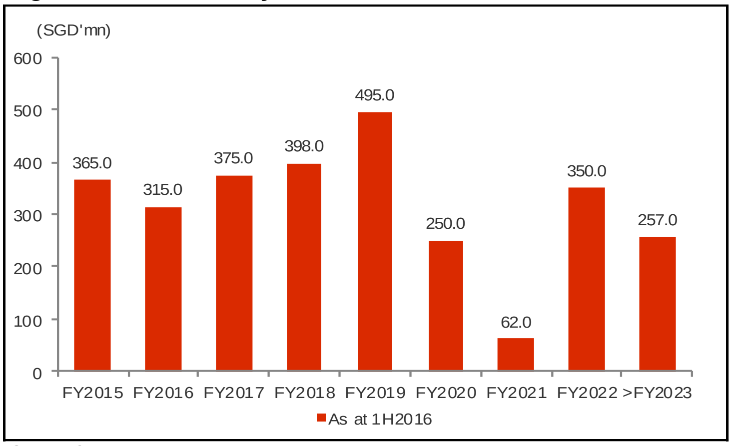
Source: Company

Figure 2: NPI breakdown by Segment - 1H2016



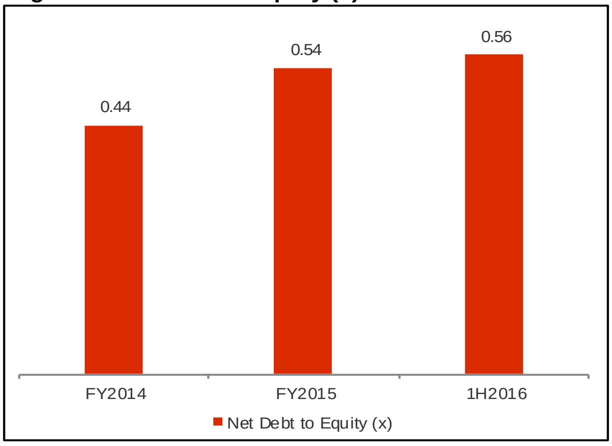
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – ART's ambitious growth target could pressure credit metrics but this is partly mitigated by its diversified portfolio with stable master leases and management contracts with minimum guaranteed income. We think switching into ARTSP perp-c20 (from ARTSP perp-c19) continues to make sense for investors that prefer to cash out, notwithstanding the better step up in the perp-c19.

Issuer Profile: Neutral

S&P: Not rated
Moody's: Baa3/Stable
Fitch: Not rated

Ticker: **ARTSP**

Company Profile

Ascott Residence Trust ("ART") invests primarily in serviced residences and rental housing properties. It is the largest hospitality trust listed on SGX, as asset size quadrupled to ~SGD4.7bn (as at end-September 2015) since listing in 2006. As at 30 Sep 15, its portfolio consists of 90 properties with 11,392 apartment units in 38 cities across 14 countries in Asia-Pacific and Europe. CapitaLand Ltd has a 46.1% stake in ART

Ascott Residence Trust

Key credit considerations

- **Robust 9M2015 results underpinned by acquisitions:** Aided by additional income from acquisitions made in 2014 (SGD30.5mn) and 2015 (SGD11.4mn), revenue rose 15.1% y/y to SGD301.9mn. Nonetheless, direct expenses also grew 20.6% y/y to SGD154.2mn due to the new properties injected into the portfolio. As a result, gross profit increased at a slower pace of 9.9% y/y to SGD147.8mn. Meanwhile, revenue per available unit ("RevPAU") was relatively stable at SGD129 (9M2014: SGD130). Excluding the acquisitions (same store basis), RevPAU for 3Q2015 increased by 6.0% y/y due to stronger performance from the properties in China, Indonesia and Vietnam, as well as appreciation of the RMB, USD and VND against SGD.

- **Japan outperformed again:** In 3Q2015, Japan, Belgium and Indonesia achieved strong operating performance and reported double-digit growth in RevPAU (in local currencies). Japan's RevPAU was up by 18% y/y due to greater demand for serviced residences from corporate and leisure travellers. This bodes well for the trust as Japan is ART's second largest market by asset value (15.4% of total assets). Occupancy for Japan's rental housing properties remained stable at 97% in 3Q2015. Meanwhile, RevPAU for Belgium and Indonesia rose 15% y/y and 14% y/y respectively, due to stronger corporate demand.

- **Diversified portfolio across property and economic cycles:** ART's portfolio is well-diversified geographically and key markets (countries that accounts for >5% of ART's total assets) including China, Japan, Singapore, United Kingdom, France, Vietnam, Australia and the United States contributed 85.2% of the trust's gross profit in 3Q2015. This should continue to provide income stability for the trust. In addition, 46.0% of ART's gross profit for 3Q2015 was contributed by master leases and management contracts with minimum guaranteed income, with weighted average remaining tenure of ~3.5 years. Excluding properties under master leases, the average length of stay for ART's portfolio is ~3.5 months.

- **Asset enhancement initiatives ("AEIs") bearing fruit:** The trust's AEIs are driving organic growth and its refurbished properties are getting recognition. RevPAU (in local currency) for Vietnam was up 7% y/y in 3Q2015 as a result of increased demand for refurbished apartments at Somerset Ho Chi Minh City. Furthermore, Citadines Ramblas Barcelona and Citadines Sainte-Catherine Brussels also saw higher demand for their refurbished apartments. Currently, ART has budgeted SGD57.8mn for 4 AEIs including Somerset Xu Hui Shanghai (Phase 2C and 2D), Ascott Makati, Citadines Barbican London and Somerset Ho Chi Minh City (Phase 2).

- **Higher aggregate leverage due to acquisitions:** ART's aggregate leverage (gross debt/total assets) increased to 40.0% as at end-3Q2015 from 35.8% as at end-2Q2015 due to its acquisition-led strategy. The trust has acquired eight properties amounting to ~SGD500mn spanning across Australia, Japan and the United States in 3Q2015. Meanwhile, EBITDA/gross interest remained relatively stable at 3.9x. Given the trust's target to increase its portfolio size to SGD6.0bn by 2017, management is still actively seeking accretive acquisitions in Australia, Europe, Japan and the United States. As the trust's aggregate leverage is relatively high, we believe further acquisitions may need to be partly funded by equity issuance, perpetual securities and asset divestments. ART divested six rental housing properties in Japan in September 2015 for SGD52.6mn, which is 13% higher than the latest valuation. In addition, the trust is prudent in its capital management with average debt to maturity of 4.2 years. Interest rate risk is low as 76% of the total borrowings are on fixed interest rates.

Ascott Residence Trust

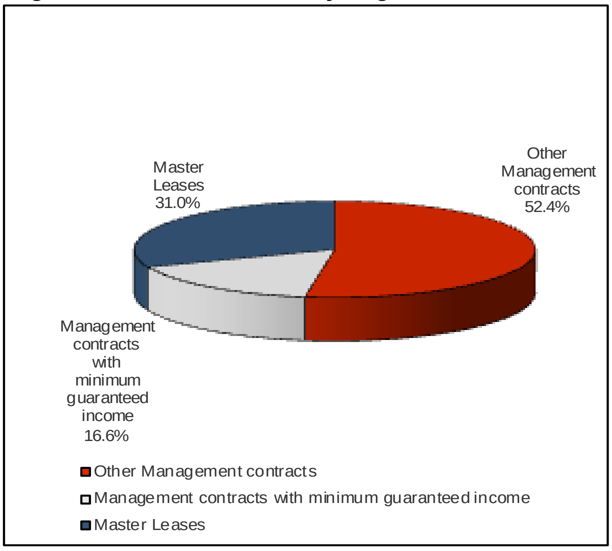
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	316.6	357.2	301.9
EBITDA	154.8	173.8	142.8
EBIT	141.3	157.6	129.9
Gross interest expense	44.6	43.3	36.3
Profit Before Tax	251.6	167.3	129.3
Net profit	208.7	122.5	97.1
Balance Sheet (SGD'mn)			
Cash and bank deposits	204.5	192.6	211.0
Total assets	3,585.1	4,121.9	4,718.0
Gross debt	1,197.1	1,550.9	1,846.1
Net debt	992.6	1,358.4	1,635.1
Shareholders' equity	2,187.1	2,353.2	2,613.5
Total capitalization	3,384.2	3,904.1	4,459.6
Net capitalization	3,179.7	3,711.6	4,248.7
Cash Flow (SGD'mn)			
Funds from operations (FFO)	222.2	138.7	110.0
CFO	152.0	152.6	132.9
Capex	42.2	40.0	22.9
Acquisitions	159.0	428.4	426.4
Disposals	0.1	0.0	53.8
Dividends	110.7	119.7	131.7
Free Cash Flow (FCF)	109.8	112.5	110.0
FCF adjusted	-159.8	-435.5	-394.4
Key Ratios			
EBITDA margin (%)	48.9	48.7	47.3
Net margin (%)	65.9	34.3	32.2
Gross debt to EBITDA (x)	7.7	8.9	9.7
Net debt to EBITDA (x)	6.4	7.8	8.6
Gross Debt to Equity (x)	0.55	0.66	0.71
Net Debt to Equity (x)	0.45	0.58	0.63
Gross debt/total capitalisation (%)	35.4	39.7	41.4
Net debt/net capitalisation (%)	31.2	36.6	38.5
Cash/current borrowings (x)	4.07	0.77	0.50
EBITDA/Total Interest (x)	3.5	4.0	3.9

Source: Company, OCBC estimates

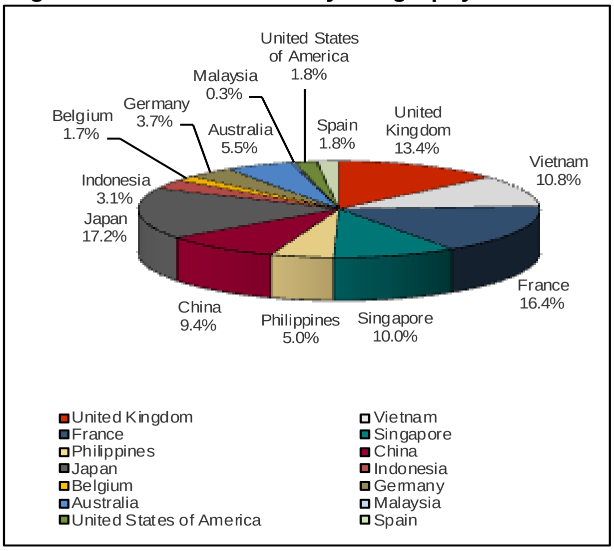
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: PBT breakdown by Segment - 9M2015



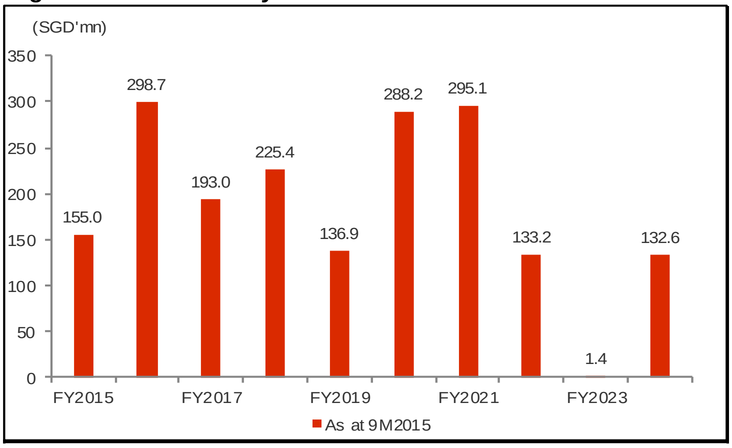
Source: Company

Figure 2: PBT breakdown by Geography - 9M2015



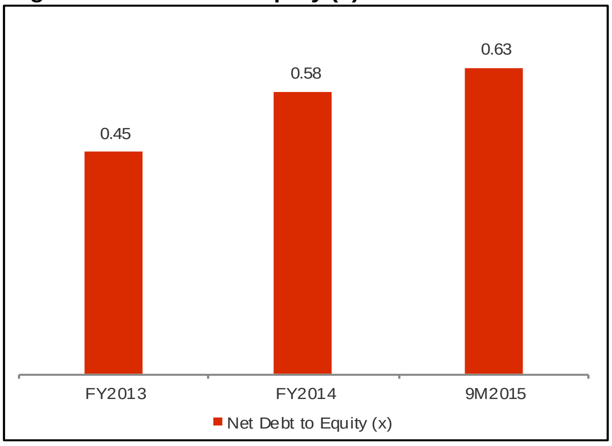
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook –

Given challenging macro pressures, further credit profile deterioration and given the lack of catalysts, we do not believe the risk-reward for the ASLSP curve makes sense currently. We will keep the bond recommendations for the ASLSP'17s and ASLSP'18s at Neutral.

Issuer Profile: Negative

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **ASLSP**

Company Profile

Listed in 2003, ASL is an integrated offshore marine firm. It has four businesses: shipbuilding, shiprepair & conversion, shipchartering and engineering. Majority of the firm's revenue is generated in Asia. The firm has shipyards in Singapore, Indonesia and China. It entered the dredging engineering segment after acquiring VOSTA LMG in 3Q2013. As of the end of FY2015, the firm has a fleet of 204 vessels for its shipchartering segment, with the majority being barges. The founding Ang family continues to hold more than 60% stake in the firm.

ASL Marine Holdings Ltd

Key credit considerations

- **1QFY2016 (end-September) shows top line improvement**: ASL generated SGD76.0mn in total revenue during the period, up 10.8% y/y. Revenue was also up 3.7% q/q despite the challenging environment. The shipbuilding segment saw revenue increase 52.8% y/y to SGD36.3mn, driven in part by higher percentage-of-completion revenue recognized for work done on 5 OSVs and 13 tugs. Work was also done on 4 barges. Weakness in OSV orders is distinct though, with 14 and 13 OSVs being worked on in 1QFY2015 and 1QFY2014 respectively compared to 5 recently. Shipchartering revenue was up 14.4% y/y and up 3.7% q/q to SGD19.7mn. Segment revenue was supported by vessels used for domestic marine infrastructure projects. 1QFY2016 saw 154 vessels chartered out, relative to 152 vessels in 1QFY2015. The shiprepair & conversion segment was flat, declining 3.2% y/y to SGD14.8mn (revenue recognition can be lumpy) while the engineering segment saw revenue fall sharply by 58.3% to SGD5.1mn (due to fewer orders for spare parts as well as cutting / coupling products).

- **Chartering earnings remain pressured**: Though gross margin improved from 14.3% (1QFY2015) to 15.6% (1QFY2016), the improvements were driven by the shipbuilding segment swinging from a gross loss of SGD1.1mn (1QFY2015, driven by cost overruns) to a gross profit of SGD7.2mn (1QFY2016, supported in part by provision reversals). The engineering segment margins also expanded, in part driven by warranty provision reversals. However, shiprepair & conversion margins slumped sharply from 24.3% (1QFY2015) to 10.4% (1QFY2016), with competition for jobs hitting margins. A settlement for a rig repair job also pressured the segment (excluding this gross margins would have been 20.3%). The shipchartering segment was the hardest hit, with gross margins plunging from 23.1% (1QFY2015) to 6.0% (1QFY2016). This was driven by a gross loss in chartering tug boats / barges, due to low utilization and higher upkeep costs. Net profit jumped 82.3% y/y to SGD4.9mn, driven by SGD3.5mn gain from its Sindo-Econ Group JV (focusing on precast concrete operations).

- **Order book mix shift**: ASL currently has an order book of SGD342mn for 22 vessels for deliveries through 1QFY2018, with only 5 that are OSVs. They also have a further SGD57mn in long-term charter contracts (though their chartering revenue are mainly short-term / ad-hoc, and hence vulnerable to soft spot rates).

- **De-emphasis on BTS**: As of end-FY2015, ASL has 4 AHTS vessels as part of its build-to-stock ("BTS") program. Deliveries for these are expected between March and October 2016. Beyond these vessels though, ASL has decided to halt its BTS program given the weak environment, hence preserving working capital. However, inventory remains ~200% higher relative to 1QFY2015 due to the 3 PSVs (the original client cancelled the order late 2014) which ASL took onto its balance sheet. Management remains confident in either selling or chartering out these PSVs.

- **Working capital a drag on liquidity**: Though ASL was able to generate SGD10.4mn in cash during FY2015 (driven by vessel disposals), working capital needs drained cash by SGD61mn in 1QFY2016. Capex was a further SGD21mn. This caused free cash flow to be negative 74mn for the quarter. This was funded by both SGD47mn increase in gross borrowings as well as tapping on its cash balance. Cash / current borrowings are low at just 0.2x.

- **Credit profile deteriorated**: With the additional borrowings, net gearing has worsened from 109% (end-FY2015) to 125% (end-1QFY2016). ASL has no bonds maturing till March 2017, and of the SGD254.8mn of short-term debt, SGD84.9mn is the financing of 3rd party shipbuilding projects (repaid upon delivery of vessel).

ASL Marine Holdings Ltd

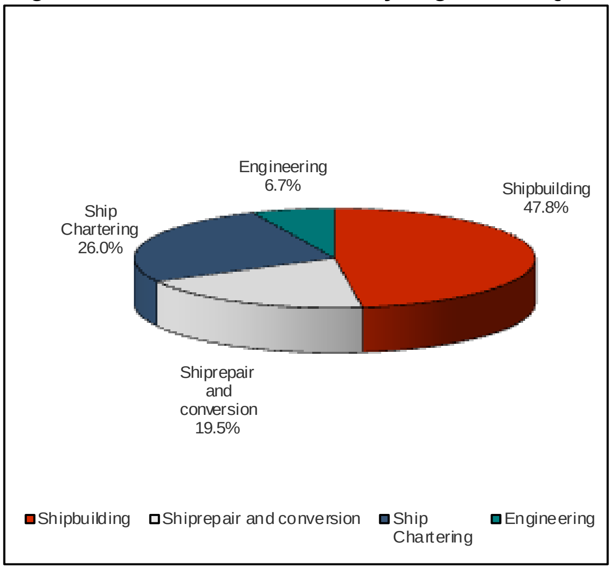
Table 1: Summary Financials

Year Ended 30th June	FY2014	FY2015	1Q2016
Income Statement (SGD'mn)			
Revenue	509.8	184.2	76.0
EBITDA	73.1	58.4	18.0
EBIT	26.3	12.5	6.5
Gross interest expense	16.7	17.3	4.7
Profit Before Tax	26.1	8.6	5.6
Net profit	22.1	7.9	5.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	73.2	77.9	51.2
Total assets	1,216.9	1,208.5	1,244.7
Gross debt	539.1	543.5	590.7
Net debt	465.9	465.6	539.5
Shareholders' equity	416.5	425.3	430.6
Total capitalization	955.6	968.8	1,021.4
Net capitalization	882.4	890.9	970.1
Cash Flow (SGD'mn)			
Funds from operations (FFO)	68.9	53.9	16.7
CFO	10.9	105.0	-53.2
Capex	113.2	118.8	20.7
Acquisitions	0.0	0.0	0.0
Disposals	8.4	52.0	5.3
Dividends	8.4	4.2	0.0
Free Cash Flow (FCF)	-102.3	-13.7	-73.9
* FCF Adjusted	-102.3	34.1	-68.6
Key Ratios			
EBITDA margin (%)	14.3	31.7	23.7
Net margin (%)	4.3	4.3	6.9
Gross debt to EBITDA (x)	7.4	9.3	8.2
Net debt to EBITDA (x)	6.4	8.0	7.5
Gross Debt to Equity (x)	1.29	1.28	1.37
Net Debt to Equity (x)	1.12	1.09	1.25
Gross debt/total capitalisation (%)	56.4	56.1	57.8
Net debt/net capitalisation (%)	52.8	52.3	55.6
Cash/current borrowings (x)	0.3	0.4	0.2
EBITDA/Total Interest (x)	4.4	3.4	3.8

Source: Company, OCBC estimates

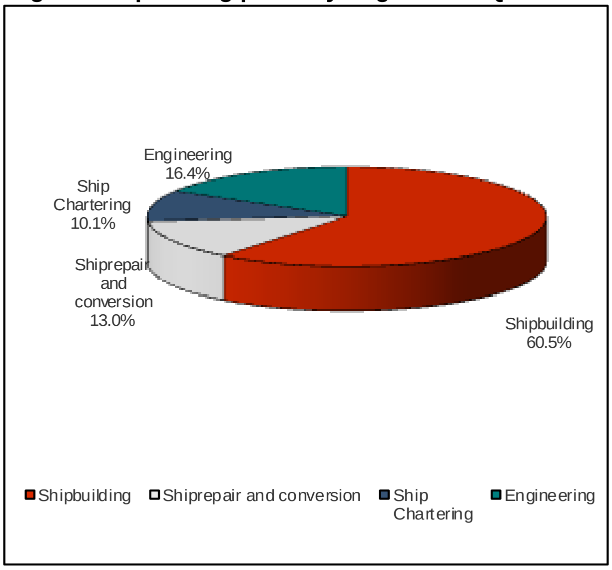
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1Q2016



Source: Company

Figure 2: Operating profit by Segment - 1Q2016



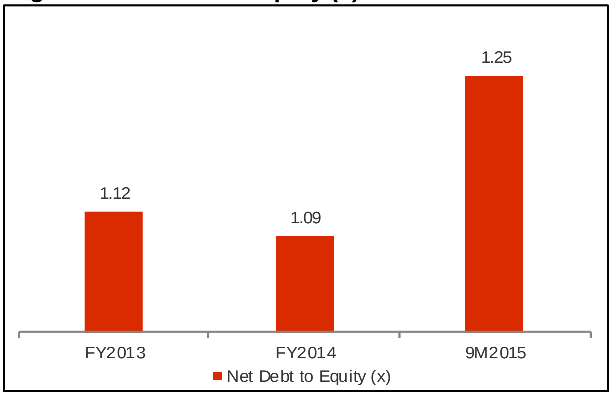
Source: Company

Figure 3: Debt Maturity Profile

Amounts in SGD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	177.1	30.0%
Unsecured	77.7	13.2%
	254.8	**43.1%**
Amount repayable after a year		
Secured	186.0	31.5%
Unsecured	150.0	25.4%
	336.0	**56.9%**
Total	**590.8**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Aspial Corp Ltd

Credit Outlook – We would avoid the ASPSP curve as there is insufficient compensation for a highly leveraged credit profile. Across the ASPSP complex, we think the 18s offer the best value at 363bps over swaps.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **ASPSP**

Company Profile

Aspial Corp. Ltd ("Aspial") was incorporated in 1970 and listed on the SGX in 1999. The company has evolved over the years from its roots in jewellery holding three main jewellery brands, Lee Hwa, Goldheart; and CITIGEMS to a diversified company with real estate and pawnshop businesses as well. Aspial has a market capitalization of SGD548.6mn as of 9 Dec 2015. Aspial is 81%-controlled by the members of the Koh family who are siblings to Mr Koh Wee Meng, the founder of Fragrance Group Ltd.

Key credit considerations

- **Weak 9M2015 results due to weakness in property development and jewellery:** 9M2015 revenue decreased 12% y/y to SGD333.93mn while EBITDA decreased 14% y/y to SGD111.5mn mainly on lower contributions from the real estate and jewellery businesses which a strong performance in pawn broking (Maxi-Cash) was unable to offset (only 26.9% of revenue). Property development revenue was down 21.5% y/y to SGD150mn and EBT decreased 90.8% y/y to SGD5.3mn due to 1) lower progressive revenue recognition, 2) higher marketing costs of SGD12.5mn from the launch of its first Australian projects and first large scale mixed use development Citygate, 3) forex losses of SGD14.7mn and the absence of revaluation gains of SGD25.1mn in 2014. Aspial also continued to rationalize its jewellery business in the face of a challenging operating environment. Jewellery revenue was down 12.4% to SGD96.4mn and EBT down 62% y/y due to the closure of 12 stores in 2014. On a positive note, Aspial's pawn broking business registered stronger revenue (+7.8% y/y to SGD90.5mn) and EBT (+300% y/y to SGD3mn) due to higher interest from a larger pledge book and trading.

- **Expansion from jewellery retailer to global property player leaves balance sheet stretched:** Aspial has evolved over the years from its traditional roots in jewellery since 1970 into a diversified real estate and jewellery company. The company entered the real estate business in 2001 developing mostly smaller projects with less than 30 units but has advanced to larger projects recently. Citygate is its first large scale mixed use development with 311 residential and 188 commercial units. The company also expanded overseas in 2014 with the launch of the iconic Australia 108. As a result Aspial's balance sheet has expanded with net gearing ratios and LTM net Debt/EBITDA increasing to 319% (2013: 234%) and 10.14x (2013: 5.2x), respectively as at September 2015. In addition, EBITDA/gross interest also deteriorated to 3.1x (2013: 7.2x) due to weaker earnings and an increased debt load.

- **Execution and forex risks from overseas expansion:** Aspial's foray into Australia and Malaysia has increased the company's forex exposure beyond the jewellery business (~45% of jewellery business purchases in foreign currencies and unhedged). The company has decided not to hedge its forex exposure given the long-term nature of these property investments. Aspial recorded SGD14.7mn and SGD9mn in currency losses in 9M2015 and 2014, respectively. In addition to the forex exposure, overseas expansion also entails execution risks.

- **Tight liquidity profile:** Aspial registered negative operating cash flows in 2013 and 2014, mainly due to elevated levels of land purchases and development capex. Despite registering positive OCF of SGD1.3mn during 9M2015, this was only because of the AUD52.5mn sale of a property in King Street, Melbourne which was only acquired in 2014 for AUD41.5mn. Going forward, working capital needs for Aspial will remain high due to on-going development projects. As of September 2015, SGD96mn of cash was insufficient to cover SGD388.6mn (including SGD100mn in bonds) in short term debt.

- **Long term improvement in credit profile expected:** The group has commenced construction works for all its projects in Singapore except City Gate, and will be booking revenue and profit progressively from 2015 to 2019. Revenue recognition from Melbourne projects will be lumpy and further out as Australia 108 is expected to be completed in late 2020 and Avant in late 2018. That said, Aspial expects to receive positive cash flows from the temporary occupation permit ("TOP") of Singapore projects, which includes Urban Vista, Kensington Square, The Hillford and Waterfront@Faber in the next 24 months.

Aspial Corporation Ltd

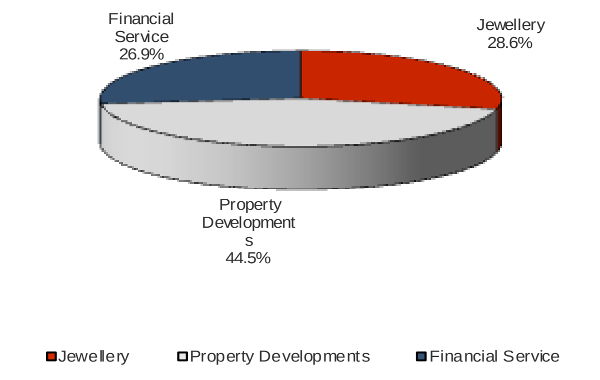
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	515.3	510.1	333.9
EBITDA	149.2	124.6	78.0
EBIT	144.0	119.4	74.5
Gross interest expense	20.7	33.6	14.9
Profit Before Tax	101.0	61.7	3.9
Net profit	67.5	43.1	4.4
Balance Sheet (SGD'mn)			
Cash and bank deposits	67.5	83.6	96.0
Total assets	1,275.6	1,646.3	1,673.6
Gross debt	838.8	1,115.4	1,227.0
Net debt	771.3	1,031.8	1,130.9
Shareholders' equity	330.3	369.7	354.9
Total capitalization	1,169.0	1,485.1	1,581.9
Net capitalization	1,101.6	1,401.5	1,485.8
Cash Flow (SGD'mn)			
Funds from operations (FFO)	72.8	48.2	7.9
CFO	-175.4	-167.4	16.2
Capex	11.7	5.2	2.1
Acquisitions	-0.1	0.9	5.0
Disposals	0.0	0.1	0.0
Dividend	22.5	11.6	8.3
Free Cash Flow (FCF)	-187.1	-172.6	14.1
FCF Adjusted	-209.5	-185.0	0.7
Key Ratios			
EBITDA margin (%)	29.0	24.4	23.4
Net margin (%)	13.1	8.4	1.3
Gross debt to EBITDA (x)	5.6	9.0	11.8
Net debt to EBITDA (x)	5.2	8.3	10.9
Gross Debt to Equity (x)	2.54	3.02	3.46
Net Debt to Equity (x)	2.34	2.79	3.19
Gross debt/total capitalisation (%)	71.7	75.1	77.6
Net debt/net capitalisation (%)	70.0	73.6	76.1
Cash/current borrowings (x)	0.28	0.27	0.25
EBITDA/gross interest (x)	11.4	7.3	5.2

Source: Company, OCBC estimates

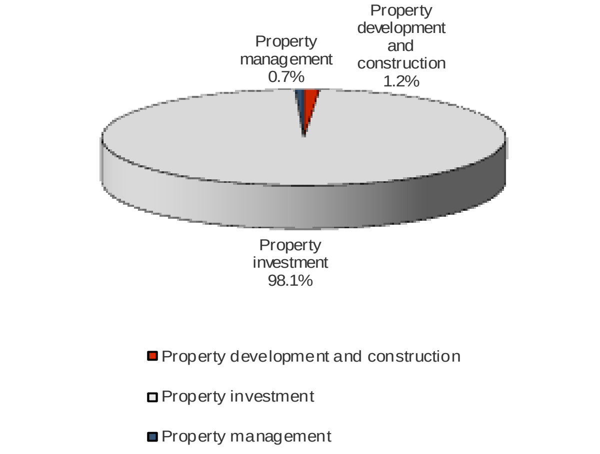
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: PBT breakdown by Segment - FY2014



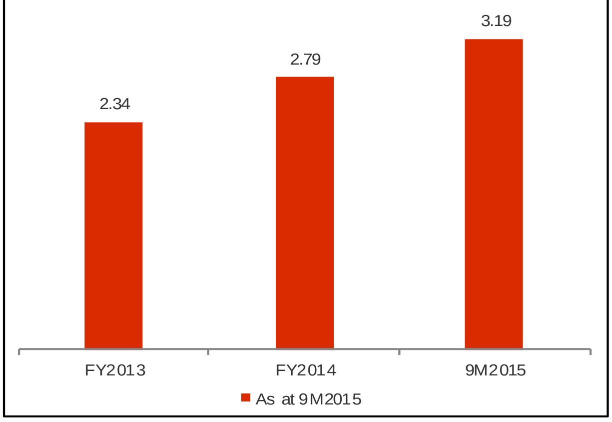
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	288.6	23.5%
Unsecured	100.0	8.1%
	388.6	**31.7%**
Amount repayable after a year		
Secured	378.4	30.8%
Unsecured	460.0	37.5%
	838.4	**68.3%**
Total	**1227.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We believe that the CCTSP'21 are fairly valued at 42bps over swaps, relative to peers such MCTSP'20 (40bps over swaps)

Issuer Profile: Neutral

S&P: A-/Stable

Moody's: A3/Stable

Fitch: Not rated

Ticker: **CCTSP**

Company Profile

Listed on the SGX in 2004, CapitaLand Commercial Trust ("CCT") is Singapore's first listed and one of the largest commercial REITs, with SGD7.7bn of property holdings as at 30 Sep 15. It comprises ten prime properties in Singapore, as well as investments in Malaysia. About ~80% of net property income is currently generated from Raffles City Singapore (60%-owned), Capital Tower, One George Street and Six Battery Road. CCT is 31.5%-owned by CapitaLand Ltd.

CapitaLand Commercial Trust

Key credit considerations

- **Steady 9M2015 results:** Revenue grew 4.8% y/y to SGD205.6mn on the back of positive rental reversions achieved as well as higher occupancies for most of CCT's properties. Nonetheless, net property income ("NPI") grew at a slower pace to SGD160.5mn (+3.8% y/y) due mainly to higher property tax and ad hoc maintenance expenses, partly offset by lower utility expense.

- **Pressure on portfolio occupancy but still outperforms market:** In 3Q2015, CCT's portfolio occupancy fell q/q to 96.4% from 98.0% mainly due to lower occupancies for Capital Tower (which fell sharply from 100% to 92.2% q/q) and Twenty Anson. However, this was still above Central Business District ("CBD") core market occupancy of 95.8% (*source: CBRE Pte Ltd, 3Q2015 Market View*).

- **Slowing positive rental reversions:** Monthly Grade A office market rent has fallen by 3.5% q/q to SGD10.90 psf in 3Q2015 amidst a subdued economic outlook. Although CCT's monthly average office portfolio gross rent continued to grow q/q to SGD8.89 psf (2Q2015: SGD8.88 psf), we note the slowing momentum and believe there may be limited upside for rental reversions going forward. In particular, OCBC Investment Research forecasts a dip of 10%-20% for Grade A office rents in 2016 due to expected large office space supply coming on stream from 2Q2016 onwards.

- **Proactive lease management:** In anticipation of the looming new office supply, CCT has proactively implemented a well-spread portfolio lease expiry profile with major leases expiring in 2019 and beyond. ~14% of CCT's office leases (by gross rental income) will expire in 2016 (same for 2017). In 3Q2015, CCT signed ~226,000 sqft of new leases and renewals, of which 36% are new leases. We believe that CCT's portfolio weighted average lease to expiry ("WALE") of 7.7 years (by net lettable area) will continue to provide earnings stability for the trust, though note that numbers are skewed due the long-term RC Hotels lease.

- **Occupancy for CapitaGreen continues to grow:** The new Grade A office building at 138 Market Street achieved committed occupancy of 87.7% as at 27 Oct 15 (vs. 80.4% as at end-2Q2015). Management thinks contribution from CapitaGreen will mitigate potential headwinds in the office market going forward as majority of the tenants are moving in progressively over 2H2015 and this should contribute positively to CCT's earnings. In addition, most of the committed tenants are on leases longer than the usual three-year term and this will provide income stability to the trust.

- **Focus on external growth:** Going forward, CCT intends to grow through disciplined and sustainable acquisitions of third-party properties. Furthermore, the trust will also look at other development opportunities. In the near to medium term, we think CCT may also consider acquiring the remaining 60% of CapitaGreen (stake valuation of ~SGD940mn as at end-1H2015) as the trust has an option to do so within 3 years (2015-2017) after the building is completed.

- **Sound credit metrics:** As at end-3Q2015, CCT's aggregate leverage (gross debt/total assets) remained healthy at 30.1% (end-2014: 29.3%), while EBITDA/gross interest improved to 5.6x (2014: 5.2x). As such, the trust has the financial flexibility for new acquisitions as it has debt headroom of ~SGD1.3bn (assuming 40% gearing). In addition, interest rate risk remains low as ~83% of CCT's borrowings are on fixed rate and the trust has an average term to maturity of 3.7 years. Meanwhile, CCT has secured refinancing for the SGD356mn bank loan (expires at end-2015) for CapitaGreen and it will mature in November 2020.

CapitaLand Commercial Trust

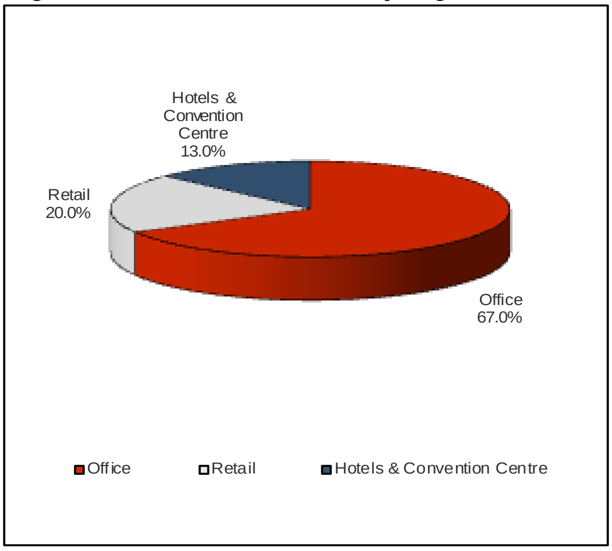
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	386.9	262.6	205.6
EBITDA	273.5	189.3	147.5
EBIT	267.5	185.5	146.2
Gross interest expense	61.5	36.4	26.4
Profit Before Tax	374.6	448.9	210.3
Net profit	374.6	448.9	210.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	84.1	101.1	61.2
Total assets	6,245.5	6,521.1	6,533.1
Gross debt	1,218.3	1,240.2	1,279.6
Net debt	1,134.3	1,139.1	1,218.5
Shareholders' equity	4,912.7	5,153.5	5,137.0
Total capitalization	6,131.0	6,393.7	6,416.6
Net capitalization	6,047.0	6,292.6	6,355.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	380.6	452.7	211.6
CFO	298.0	188.5	151.2
Capex	83.2	30.1	14.7
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	231.3	242.8	245.6
Free Cash Flow (FCF)	214.8	158.4	136.5
FCF adjusted	-16.5	-84.3	-109.1
Key Ratios			
EBITDA margin (%)	70.7	72.1	71.8
Net margin (%)	96.8	170.9	102.2
Gross debt to EBITDA (x)	4.5	6.6	6.5
Net debt to EBITDA (x)	4.1	6.0	6.2
Gross Debt to Equity (x)	0.25	0.24	0.25
Net Debt to Equity (x)	0.23	0.22	0.24
Gross debt/total capitalisation (%)	19.9	19.4	19.9
Net debt/net capitalisation (%)	18.8	18.1	19.2
Cash/current borrowings (x)	NM	0.37	0.31
EBITDA/Total Interest (x)	4.4	5.2	5.6

Source: Company, OCBC estimates

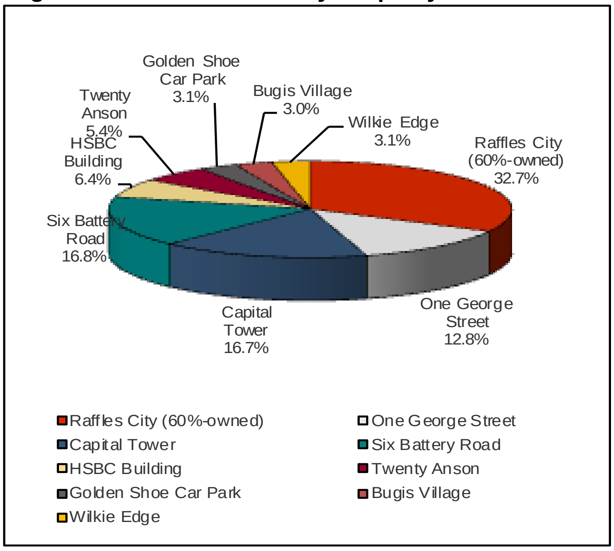
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



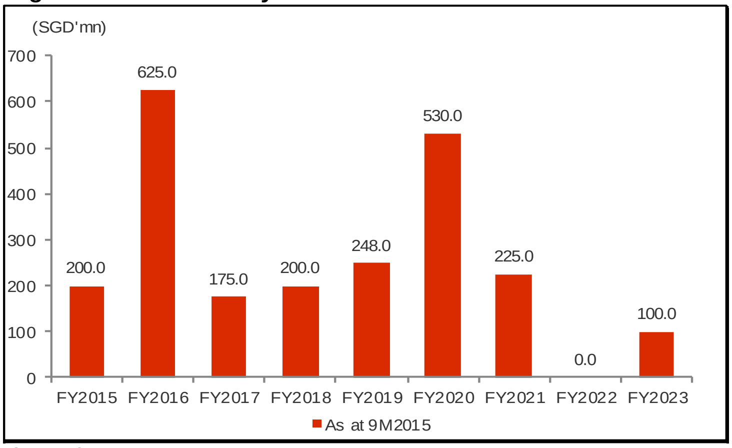
Source: Company

Figure 2: NPI breakdown by Property - 9M2015



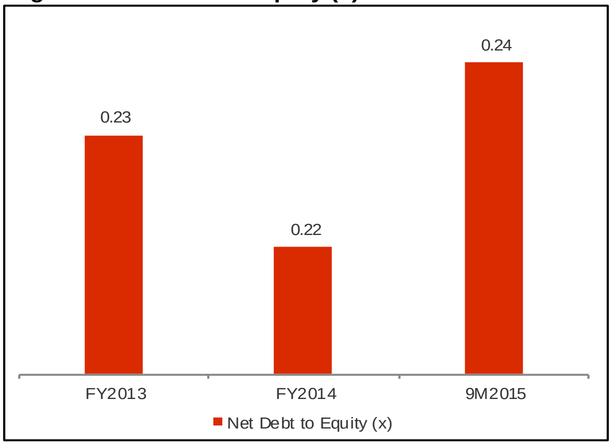
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

CapitaLand Ltd

Credit Outlook – We like the CAPLSP for its diversified asset and earnings base. Although credit metrics looks weak compared to CDL, CAPLSP does benefit from some element of implicit support from Temasek. CAPLSP 3.78% 19s stand out across the curve at 68bps over swaps, but note that this is issued out of Ascott.

Issuer Profile: Positive

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CAPLSP**

Company Profile

CapitaLand Ltd ("CAPL") is Singapore's leading real estate developer, operating across residential real estate development, serviced residences, retail & office REITs and real estate fund management with core markets in Singapore and China. CAPL has SGD45.0bn of assets as at 31 Mar 15 and it is 39.4%-owned by Temasek Holdings Ltd.

Key credit considerations

- **Decent 9M2015 results:** Capitaland Ltd (CAPL) reported a decent set of 9M2015 results mainly on higher contributions from development property in Singapore and China as well as rentals from shopping malls and serviced residence. Revenue increased 25.6% y/y to SGD3.02bn while EBITDA increased 22.5% to SGD1.2bn. In Singapore, higher sales of completed projects and progressive revenue recognition at Sky VUE and the TOP of CapitaGreen helped boost revenue by 5.9% y/y. The main driver of CAPL's performance was really China where 9M2015 revenue was up 142.5% y/y to SGD983.7mn while EBIT was up 45.9% y/y to SGD458.8mn due to higher handover of units and consolidation of CL Township. The mall business under CMA was relatively flat on the year while Ascott benefitted from contributions from properties acquired in 2014 and 2015 (9M2015 revenue up 7.9 y/y, EBIT up 12.9% y/y).

- **Pulling out of Asia Square Tower 1 purchase is credit positive:** Pulling out of the Asia Square Tower 1 purchase estimated at SGD3.5-4bn or SGD2,800-3200 per sqft highlights CAPL's prudent approach to its active asset management strategy. We think this is undoubtedly positive as the deal was 1) overpriced, 2) comes at a bad timing in the office cycle, and 3) would have been one of the key office buildings to feel pressure from the completion of Marina One in 2016 given the proximity. Net gearing would have increased to 61% from 53% using 1H2015 numbers assuming the transaction were 100% debt-financed.

- **China residential exposure is a positive and mitigates exposure to weak Singapore residential market:** Singapore and China remain core markets for CAPL comprising 37% and 46% of assets, respectively and 41.1% and 34.1% of 3Q2015 EBIT, respectively. Singapore's residential market remains in the doldrums with ABSD and TDSR continuing to weigh on sentiment. CAPL's 9M2015 unit sales in Singapore were down 36% y/y to 151 units while value transacted was down 7% y/y to SGD412mn. In contrast, 9M2015 sales in China were up 97% y/y to 6,492 units or up 172% y/y to RMB11.6bn. In 2016, we believe China's recovering property market will offset the impact from a soft residential market in Singapore for Capitaland.

- **No impact on financial profile from extension charges:** As of end-September 2015, Urban Resort Condominium (2 unsold units) and The Interlace (142 unsold units) were subject to extension charges. Total cumulative extension charges paid were SGD3.5mn which is ~0.1% of 9M2015 revenue. Looking ahead to 2016, 221 unsold units at D'Leedon will be subject to extension charges in 2016. Although CAPL will face competition from the secondary market in selling down inventory in these developments, the extension charges are minimal.

- **Improved credit profile with adequate liquidity, but continues to benefit from implicit support from Temasek:** CAPL continued to delever with net gearing (net debt/equity) at 51% as of September 2015, compared to 53% in June and 57% at the end of 2014. Liquidity was adequate as well, SGD3.9bn of cash was sufficient to cover short term debt of SGD2.9bn. CAPL also continues to generate strong operating cash flows (OCF), with SGD1.74bn in OCF in 9M2015 and has available undrawn facilities of SGD3.38bn as of September 2015. The CAPL curve benefits from some element of implicit support from Temasek (39.56% stake) as its credit ratios look weak in comparison to peers such as CDL. LTM net debt/EBITDA (not including share of results of JVs and associates and revaluation gains) improved to 10.5x from 12.7x in 2014. LTM EBITDA/interest improved to 2.5x from 2.4x in 2014. If adjusted for dividends received from JVs and associates, LTM net debt/EBITDA becomes 7.71x while EBITDA/interest is 3.45x.

CapitaLand Limited

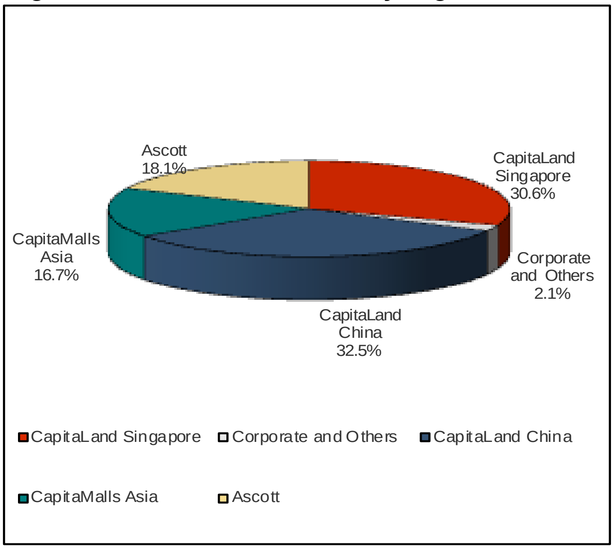
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	3,977.5	3,924.6	3,022.3
EBITDA	419.1	1,039.6	860.1
EBIT	369.5	970.1	803.3
Gross interest expense	585.9	439.5	356.3
Profit Before Tax	1,353.5	2,026.6	1,359.5
Net profit	849.8	1,160.8	818.0
Balance Sheet (SGD'mn)			
Cash and bank deposits	6,306.3	2,749.4	3,878.1
Total assets	45,063.1	44,113.5	47,261.3
Gross debt	15,936.2	15,985.8	16,406.3
Net debt	9,629.8	13,236.4	12,528.3
Shareholders' equity	24,454.8	23,208.5	24,523.3
Total capitalization	40,390.9	39,194.3	40,929.6
Net capitalization	34,084.6	36,445.0	37,051.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	899.4	1,230.4	874.8
CFO	523.0	998.7	1,739.9
Capex	82.0	129.2	45.5
Acquisitions	1,004.3	1,302.0	784.9
Disposals	1,035.2	1,226.2	201.9
Dividend	432.0	704.9	667.4
Free Cash Flow (FCF)	441.0	869.6	1,694.4
FCF Adjusted	39.8	88.9	443.9
Key Ratios			
EBITDA margin (%)	10.5	26.5	28.5
Net margin (%)	21.4	29.6	27.1
Gross debt to EBITDA (x)	38.0	15.4	14.3
Net debt to EBITDA (x)	23.0	12.7	10.9
Gross Debt to Equity (x)	0.65	0.69	0.67
Net Debt to Equity (x)	0.39	0.57	0.51
Gross debt/total capitalisation (%)	39.5	40.8	40.1
Net debt/net capitalisation (%)	28.3	36.3	33.8
Cash/current borrowings (x)	4.93	0.79	1.33
EBITDA/gross interest (x)	0.9	2.4	2.4

Source: Company, OCBC estimates

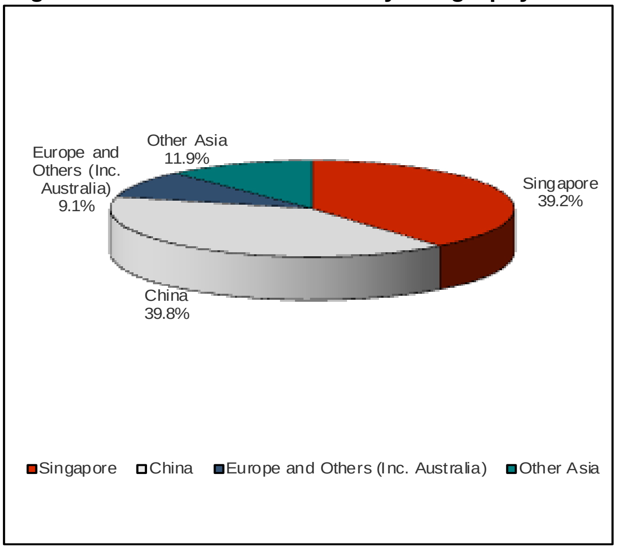
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



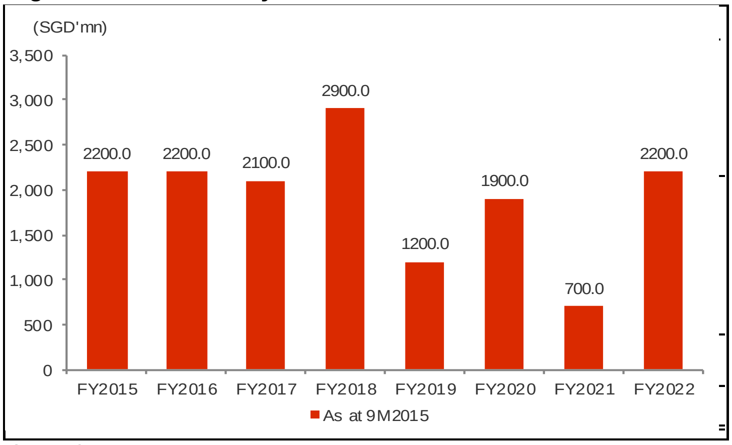
Source: Company

Figure 2: Revenue breakdown by Geography - 9M2015



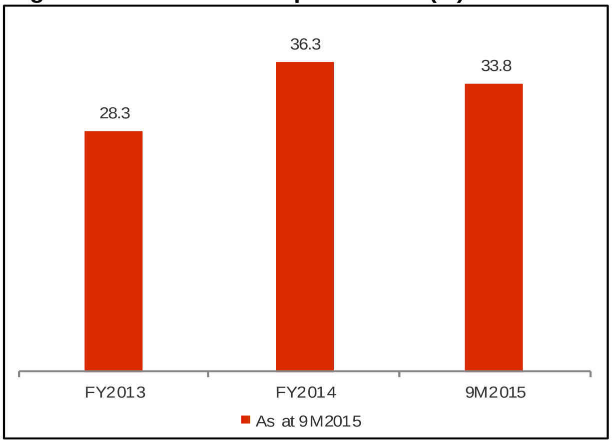
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net debt/net capitalisation (%)



Source: Company, OCBC estimates

Credit Outlook – With CMT's aggregate leverage moving closer in line with peers, some bonds are looking rich. We recommend switching from the CAPITA 3.48'24s at par (bid of 58bps over swaps) and into the MCTSP'19s at 99.35 (offer of 42bps over swaps), reducing duration by 5 years given the comparable aggregate leverage.

Issuer Profile: Neutral

S&P: Not rated

Moody's: A2/Stable

Fitch: Not rated

Ticker: **CAPITA**

Company Profile

Listed on the SGX in 2002, CapitaLand Mall Trust ("CMT") is the largest REIT by market capitalization. CMT's portfolio consists of 16 malls in Singapore, including Plaza Singapura, IMM Building, Bugis Junction, Tampines Mall, a 40% stake in Raffles City and a 30% stake in Westgate. In addition, CMT owns ~14.6% interest in CapitaLand Retail China Trust ("CRCT"), the first China shopping mall REIT listed on the SGX. CMT is 29.2%-owned by CapitaLand Ltd ("CAPL").

CapitaLand Mall Trust

Key credit considerations

- **Muted 9M2015 results:** CMT's net property income ("NPI") fell 1.0% y/y to SGD340.5mn due to on-going asset enhancement initiatives ("AEIs") in IMM Building, and lower occupancy rates at JCube and Clarke Quay. This was partly mitigated by higher NPI from Bugis Junction after the completion of phase 2 AEI in September 2014 and organic growth from other malls.

- **Continued recovery in shopper traffic and tenants' sales:** Despite the weaker results, shopper traffic and tenants' sales psf per month for CMT's portfolio were up 4.2% y/y and 4.4% y/y in 9M2015, respectively. Meanwhile, CMT's portfolio occupancy rate as at end-3Q2015 remained healthy at 96.8% vs. 98.8% as at end-2014. The lower occupancy rate took into account temporary vacant spaces due to AEIs at some of the malls.

- **Embarking on AEIs to drive growth:** CMT successfully renewed 518 leases (18.5% of total net lettable area) in 9M2015 with positive rental reversion of 4.1%. Management has a long term track record in achieving positive rental reversions for its portfolio (since 2003) through on-going AEIs to rejuvenate existing malls and attract shopper interests. For example, CMT has successfully converted Tampines Mall's Level 5 open roof to a new education hub (tenants such as Yamaha Music School, MindChamps etc). In addition, a new fashion tenant (first H&M store in the East of Singapore) was introduced and new covered linkway connecting to Tampines MRT was built. AEI for Tampines Mall is still on-going and is expected to be completed in 1Q2017. Meanwhile, AEIs for IMM Building (now connected to Jurong East MRT), Bukit Panjang Plaza, Plaza Singapura and Clarke Quay are still in progress and should contribute positively to the trust going forward. Note that CMT intends to position Clarke Quay as a premier nightspot destination and Zouk, a renowned dance club, will take up ~31,000 sqft of space in Clarke Quay. It is targeted to open in June 2016. CMT also announced it will redevelop Funan Mall (~4% of deposited properties) into an integrated development, accessing unutilized GFA of 388,000sqft.

- **Asset recycling another avenue of growth:** CMT completed the acquisition of Bedok Mall in October 2015 for ~SGD795mn. Bedok Mall is the first major shopping mall located in Bedok (Singapore's most populous housing estate) and is connected to Bedok MRT and the Bedok bus interchange. Furthermore, the committed occupancy of Bedok Mall was 99.3% as at 31 Dec 14. We are positive on the acquisition as it increases CMT's exposure to the necessity shopping segment (will contribute ~76.2% of trust gross revenue) as well as improves the trust's revenue diversification. On the other hand, CMT also announced that it will divest Rivervale Mall for ~SGD190.5mn. Revenue impact should be limited as the mall only makes up ~1% of CMT's total deposited property value but the proceeds from the sale will enhance CMT's financial flexibility.

- **Credit metrics remain fair:** CMT's aggregate leverage (gross debt/total assets) was flat at 33.8% as at end-3Q2015 vs. end-2014. Meanwhile, EBITDA/gross interest improved to 4.1x from end-2014's 3.5x. In addition, CMT has no refinancing risk in the near term as there are no borrowings repayable within one year. The acquisition of Bedok Mall was funded by issuance of 72.0mn new units of CMT (amounting to ~SGD137mn) and bank borrowings. Although we estimate aggregate leverage to increase to ~36.5% (factoring Rivervale divestment), it remains comfortably below 40.0%. This provides ~SGD340mn in debt headroom (assuming a target aggregate leverage of 40%) for acquisitions and capex (such as Funan's redevelopment costs). That said, with CMT's aggregate leverage moving higher and closer to peers, with unlikely improvements in the near future, we will reduce CMT's Issuer Profile to **Neutral**.

CapitaLand Mall Trust

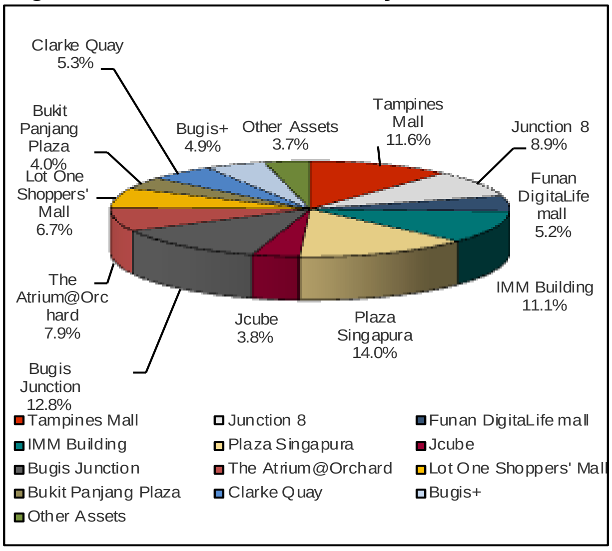
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	637.6	658.9	488.6
EBITDA	397.3	403.5	307.5
EBIT	396.0	402.1	306.7
Gross interest expense	106.6	114.0	75.5
Profit Before Tax	574.9	618.9	346.1
Net profit	574.4	618.9	346.1
Balance Sheet (SGD'mn)			
Cash and bank deposits	832.7	1,129.6	606.2
Total assets	10,017.5	9,858.3	9,582.7
Gross debt	3,450.6	3,169.3	2,868.4
Net debt	2,617.9	2,039.8	2,262.2
Shareholders' equity	6,008.7	6,282.4	6,409.3
Total capitalization	9,459.4	9,451.8	9,277.7
Net capitalization	8,626.7	8,322.2	8,671.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	575.6	620.3	346.9
CFO	415.5	408.7	309.4
Capex	100.4	65.4	74.0
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	340.7	370.3	285.7
Free Cash Flow (FCF)	315.1	343.4	235.5
FCF adjusted	-25.6	-26.9	-50.2
Key Ratios			
EBITDA margin (%)	62.3	61.2	62.9
Net margin (%)	90.1	93.9	70.8
Gross debt to EBITDA (x)	8.7	7.9	7.0
Net debt to EBITDA (x)	6.6	5.1	5.5
Gross Debt to Equity (x)	0.57	0.50	0.45
Net Debt to Equity (x)	0.44	0.32	0.35
Gross debt/total capitalisation (%)	40.0	38.1	30.9
Net debt/net capitalisation (%)	30.3	24.5	26.1
Cash/current borrowings (x)	1.67	1.48	NM
EBITDA/Total Interest (x)	3.7	3.5	4.1

Source: Company, OCBC estimates

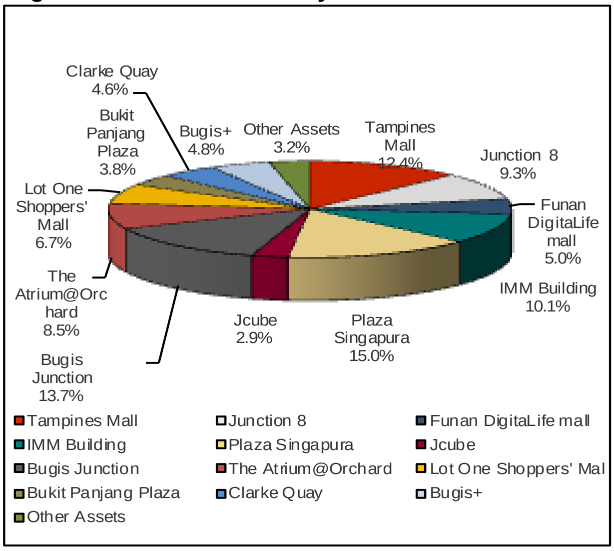
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Asset - 9M2015



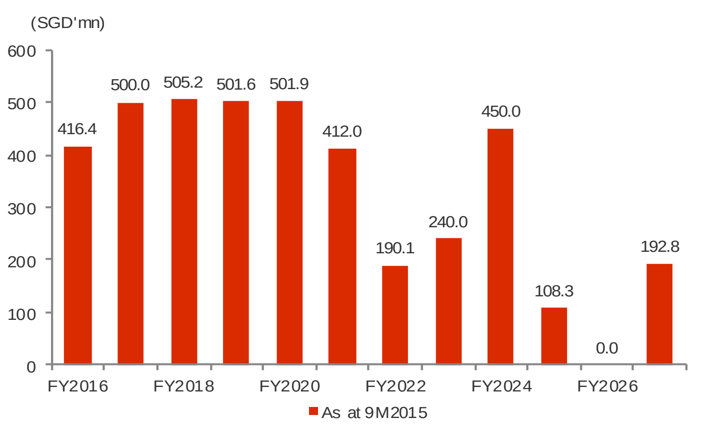
Source: Company

Figure 2: NPI breakdown by Asset - 9M2015



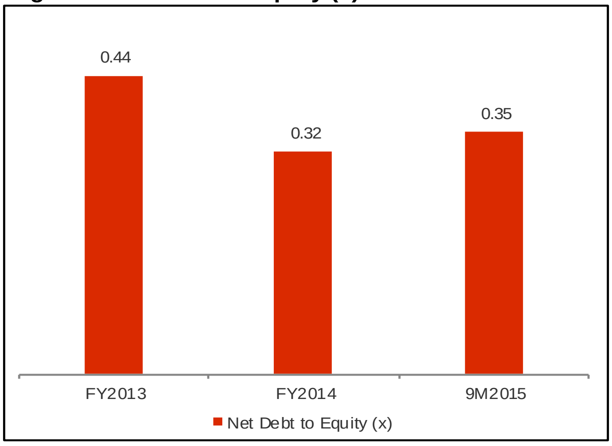
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – The CENCHI curve rallied strongly in 2015 with spreads compressing from highs of 782bps to 86bps for the 16s and 749bps to 380bps for the 17s. While the 16s look decent value for 4 month risk, the 17s offer close to 300bps spread pickup for a 1 year extension.

Issuer Profile: Neutral

S&P: BB-/Stable
Moody's: Ba3/Stable
Fitch: Not rated

Ticker: **CENCHI**

Company Profile

Central China Real Estate Ltd ("CENCHI") is a leading residential property developer in China's Henan province. Established in 1992, CENCHI has a strong brand in Henan's residential property market. As of June 2014, CENCHI has presence in Henan's 30 cities, with a market share of 5.2% in the Henan Province by contracted sales. Its key shareholders are the Chairman, Mr. Wu Po Sum, (47.1%) and CapitaLand Ltd (27.0%).

Central China Real Estate Ltd

Key credit considerations

- **Higher leverage and margin deterioration in 1H2015:** Central China Real Estate Ltd ("CCRE") ended 1H2015 with higher leverage while results indicated lower margins due to a shift in product mix as well as inventory clearance from lower tier cities. Revenue was up 26.8% y/y to RMB3.9bn on increase in delivered GFA (+41.5% y/y to 694,818 sqm) and improved hotel operations. Gross margins decreased from 41.8% in 1H2014 to 27.9% in 1H2015 as recognised ASPs in 1H2015 decreased to RMB5,419 per sqm from RMB6,040 per sqm in 1H2014. Cost of sales increased 57% y/y (compared to revenue up 26.8%) due to an increase in land and construction costs. As a result, EBITDA decreased 35% y/y to RMB614.8mn from RMB944.8mn.

- **Momentum in contracted sales slowing:** 11M2015 contracted sales were up 7.2% y/y to RMB12.54bn. However, full-year sales target of RMB17.5bn will probably not be met with only one month to go. Sales momentum seems to be ebbing with the company reporting y/y declines in October (-24.1%) and November (-6.8%) contracted sales despite the recent policy easing measures.

- **Inventory destocking and prudent cash flow management:** CCRE focused on destocking inventory in 1H2015 with total saleable inventory decreasing 20% from RMB11.1bn as of end-2014 to RMB8.9bn or down 25% in GFA terms to 1.28mn sqm. Notably, inventory in tier 3 and 4 cities such as Xinyang (-88.8%), Zhoukou (-74.8%), Anyang (-53.8%), Jiaozuo (-53.2%) and Xinxiang (-51.3%) decreased significantly. CCRE is redeploying capital from these cities to Zhengzhou (Tier-2) as evidenced by GFA starts for 2H2015 where Zhengzhou comprised 54% of the total 2.2mn sqm planned. Management remains prudent in managing cash flow and the company expects to achieve positive or neutral net cash flow by year end.

- **2015 will mark the trough in margins:** 2015 might mark the trough in margins for CCRE. The company cleared inventory from lower tier cities this year and offered a one-time 23% discount on certain projects to suppliers and staff to celebrate its 23rd anniversary. With all that out of the way and a redeployment of capital into Zhengzhou where GPMs have been averaging 39%, GPM should improve to a more sustainable level in the range of 28-32%.

- **Onshore bonds possible:** Management is exploring the possibility of tapping the onshore bond market which could lower financing costs and diversify funding sources. Currently the company's RMB11.6bn of debt comprises RMB5.5bn in USD bonds (47% of total debt), RMB1.7bn in SGD bonds (15%), RMB2.9bn in onshore bank loans (25%), and RMB1.5bn in other loans (13%).

- **Adequate liquidity provides comfort as leverage increases:** Liquidity remained adequate although buffer has reduced from end-2014. CCRE had cash of RMB5.9bn, (2014:RMB5bn) sufficient to cover short-term debt of RMB2.84bn by 2.1x (coverage in 2014 was 3.6x). In addition, the company had undrawn banking facilities of RMB25.1bn as at 30 Jun 2015. Net gearing increased from 64.2% in 2014 to 82.9% as of end-June 15, mainly due to the issuance of the USD300mn senior notes in April. LTM debt/EBITDA increased to 2.66x on a net basis from 1.44x in 2014 and 6.46x from 4.48x on a gross basis. Off balance sheet debt held at JV level increased to RMB4.6bn from RMB3.8bn. Using S&P's methodology (i.e. debt adjusted for guarantees for JV debt and EBITDA adjusted for dividends from JCEs), LTM net gearing was 150% while debt/EBITDA increases to 4.63x (net) and 7.28x (gross). That said, adding JV guarantees to debt is conservative given that JV debt is jointly guaranteed by project partners.

Central China Real Estate Ltd

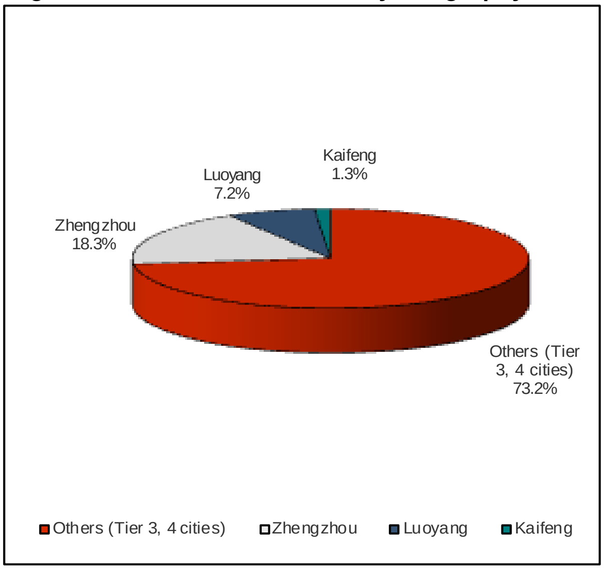
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (RMB'mn)			
Revenue	6,951	9,229	10,051
EBITDA	1,596	2,135	1,805
EBIT	1,520	1,987	1,647
Gross interest expense	1,055	838	870
Profit Before Tax	1,939	1,957	1,670
Net profit	1,026	883	809
Balance Sheet (RMB'mn)			
Cash and bank deposits	4,813	5,019	5,927
Total assets	31,517	37,350	38,440
Gross debt	8,183	9,557	11,661
Net debt	3,370	4,538	5,734
Shareholders' equity	6,700	7,067	6,913
Total capitalization	14,883	16,624	18,574
Net capitalization	10,070	11,605	12,647
Cash Flow (RMB'mn)			
Funds from operations (FFO)	1,102	1,031	967
CFO	246	658	-641
Capex	780	1,187	864
Acquisitions	384	954	987
Disposals	312	297	297
Dividends	326	311	311
Free Cash Flow (FCF)	-534	-529	-1,504
* FCF Adjusted	-933	-1,497	-2,505
Key Ratios			
EBITDA margin (%)	23.0	23.1	18.0
Net margin (%)	14.8	9.6	8.1
Gross debt to EBITDA (x)	5.1	4.5	6.5
Net debt to EBITDA (x)	2.1	2.1	3.2
Gross Debt to Equity (x)	1.22	1.35	1.69
Net Debt to Equity (x)	0.50	0.64	0.83
Gross debt/total capitalisation (%)	55.0	57.5	62.8
Net debt/net capitalisation (%)	33.5	39.1	45.3
Cash/current borrowings (x)	2.1	3.6	2.1
EBITDA/Total Interest (x)	1.5	2.5	2.1

Source: Company, OCBC estimates

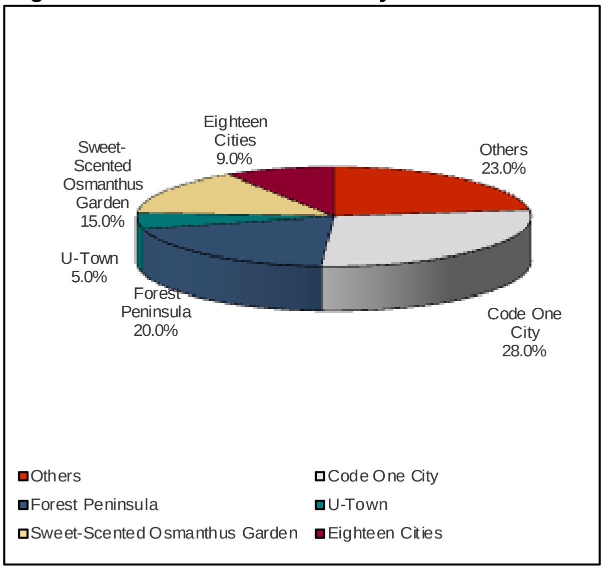
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Geography - 1H2015



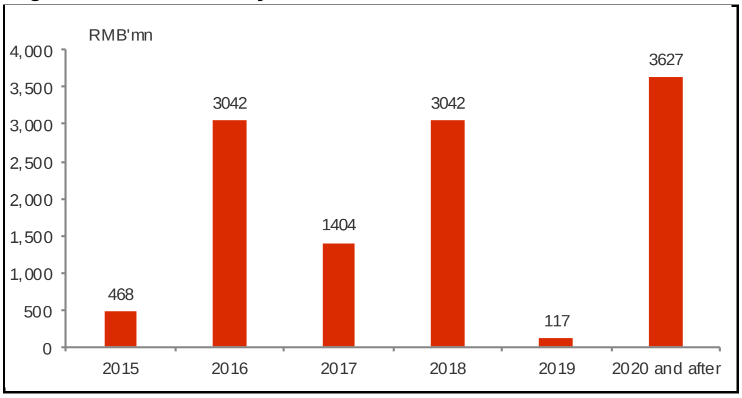
Source: Company

Figure 2: Revenue breakdown by Product - 1H2015



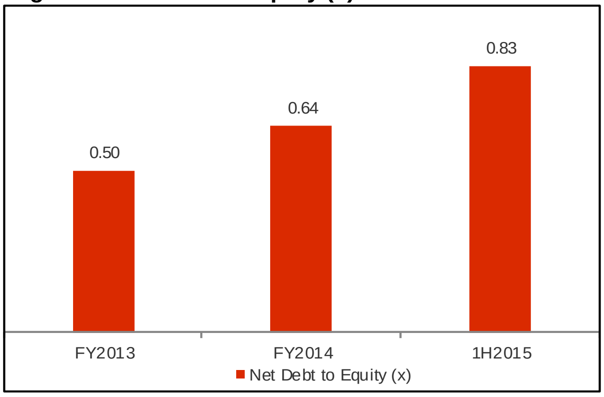
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Though the bond has rallied strongly since issuance in 2015, we will retain our Overweight on the CENSUN'18s, though we will likely reduce our bond recommendation to Neutral when the bond approaches its 2017 call price of 103.6.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CENSUN**

Company Profile

Listed on the HKSE in 2004, Century Sunshine Group Holdings Limited ("CSG") has two main business segments: magnesium products (~35% of sales) and ecological fertilisers (~65% of sales). The firm generates all of its revenue from the PRC and is vertically integrated (with captive mines for magnesium and silicon magnesium). The founder / Chairman is the largest shareholder, owning ~34% of the firm.

Century Sunshine Group Holdings Limited

Key credit considerations

- **Magnesium business saw some deceleration:** CSG has voluntarily provided some 9M2015 operational data, pertaining to the magnesium products business as well as the fertiliser business (these businesses were ~91% of 9M2015 revenue). Magnesium products segment revenue was up 8.1% y/y for 3Q2015 to HKD216.1mn, with volume up 2.3%. Volume growth was distinctly softer relative to 1H2015, which saw 17.0% y/y growth. As magnesium alloys are used for the automobile industry, the slowing new-car sales growth in China (before a purchase tax cut in October juiced growth) may have been a factor. Average selling price for 3Q2015 was a touch softer at HKD30,477 per tonne relative to HKD32,678 per tonne for 1H2015, but still stronger than the HKD28,838 per tonne for 3Q2014.

- **Fertiliser business remains robust:** Segment revenue was up 25.3% y/y for 3Q2015 to HKD459.2mn, with volume up 22.2%. Average selling price for 3Q2015 was slightly weaker at HKD2,417 per tonne relative to HKD2,447 per tonne for 1H2015, but still stronger than HKD2,319 per tonne for 3Q2014.

- **Some margin compression seen**: Given that the average selling price of both product lines were slightly lower for 3Q2015 relative to 1H2015, this could be one of the reasons why group gross margin fall slightly from 32.2% (1H2015) to 31.4% (9M2015). The fertiliser business (which has lower gross margins in general) generating a higher proportion of total sales for the period could also explain the margin compression. It should be noted that both the magnesium products segment and fertiliser segment have lucrative niche segments such as rare earth magnesium alloys and organic fertilisers. Shifts in product mix may have also impacted margins.

- **Reorganization continues:** Management has previously stated their intent to eventually restructure the magnesium products business into Group Sense International Limited (GSIL, listed, 52%-owned subsidiary). The previously announced acquisition of Xinjiang Tengxiang Magnesium Products Company ("XTMPC"), to be acquired by GSIL for RMB72.3mn (~HKD88.6mn), is proceeding. The GSIL rights issue (which raised HKD287.4mn, of which CGS's pro-rata participation was HKD149.1mn) has been completed with the funds to be used for the XTMPC acquisition as well as for working capital to recover and improve XTMPC's operations. When the transaction is completed, both GSIL and XTMPC's results will be consolidated into CSG's results. Given that both GSIL and XTMPC are currently loss making, they will be a drag on CSG's results. As a reference, GSIL generated a net loss of HKD17.9mn for 1HFY2015 (ending September 2015) while XTMPC generated a loss of RMB23.9mn during 4M2015.

- **Credit profile currently strong:** CSG ended 1H2015 net cash. It had a gross debt to EBITDA of just 2.2x. Even after factoring the HKD149mn spent on GSIL's rights issue, the impact on CSG's net gearing would be minimal given the HKD1558mn in cash (end-1H2015). That said, we expect both working capital needs as well as capex (average capex the last 3 years was ~HKD470mn) to keep free cash flow negative, and be a drain on cash. CSG could potentially continue to seek inorganic growth opportunities via acquisitions and this could also pressure CSG's credit profile. That said the Consolidated Gross Borrowings to Consolidated Tangible Net Worth financial covenant of no more than 1.2x could help restrain the issuer.

Century Sunshine Group Holdings Ltd

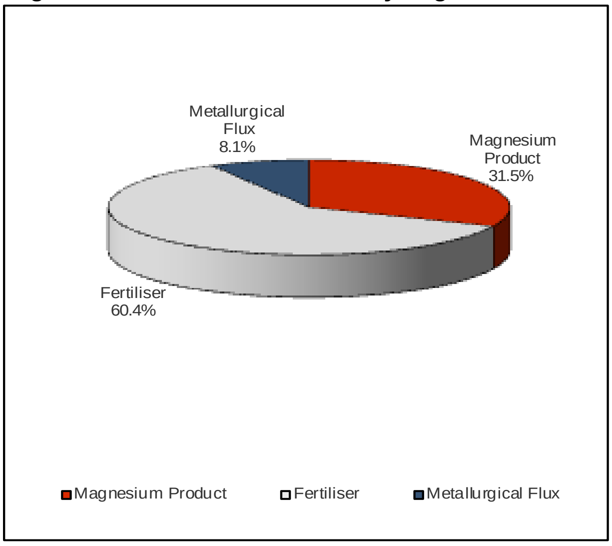
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	1H2015
Income Statement (HKD'mn)			
Revenue	1,640.3	2,072.5	1,204.1
EBITDA	457.9	571.5	319.4
EBIT	382.6	493.5	274.4
Gross interest expense	21.4	46.2	39.9
Profit Before Tax	371.6	467.7	279.6
Net profit	230.2	287.9	183.0
Balance Sheet (HKD'mn)			
Cash and bank deposits	422.9	828.8	1,558.0
Total assets	2,840.2	3,797.0	5,296.8
Gross debt	301.1	890.3	1,400.5
Net debt	-121.8	61.5	-157.4
Shareholders' equity	2,153.0	2,366.6	3,207.2
Total capitalization	2,454.0	3,256.9	4,607.7
Net capitalization	2,031.1	2,428.2	3,049.8
Cash Flow (HKD'mn)			
Funds from operations (FFO)	305.6	365.9	228.0
CFO	297.9	322.3	133.9
Capex	415.0	620.0	190.8
Acquisitions	0.0	0.0	0.0
Disposals	7.7	0.2	0.2
Dividend	3.9	11.7	0.0
Free Cash Flow (FCF)	-117.1	-297.7	-56.9
FCF adjusted	-113.3	-309.1	-56.7
Key Ratios			
EBITDA margin (%)	27.9	27.6	26.5
Net margin (%)	14.0	13.9	15.2
Gross debt to EBITDA (x)	0.7	1.6	2.2
Net debt to EBITDA (x)	-0.3	0.1	-0.2
Gross Debt to Equity (x)	0.14	0.38	0.44
Net Debt to Equity (x)	-0.1	0.0	0.0
Gross debt/total capitalisation (%)	12.3	27.3	30.4
Net debt/net capitalisation (%)	-6.0	2.5	-5.2
Cash/current borrowings (x)	1.4	2.0	3.4
EBITDA/Total Interest (x)	21.4	12.4	8.0

Source: Company, OCBC estimates

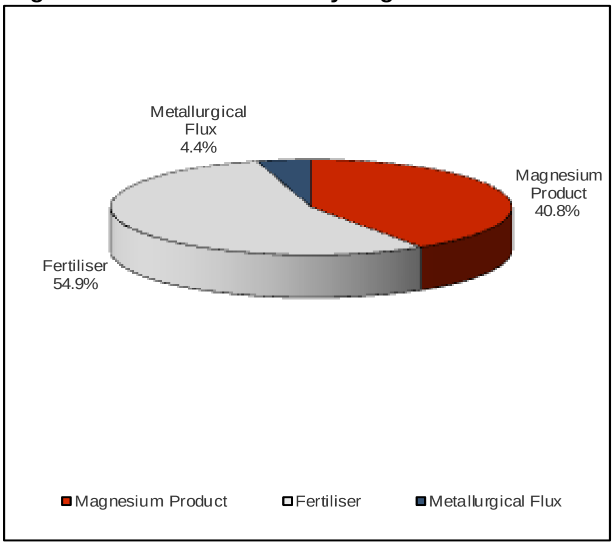
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



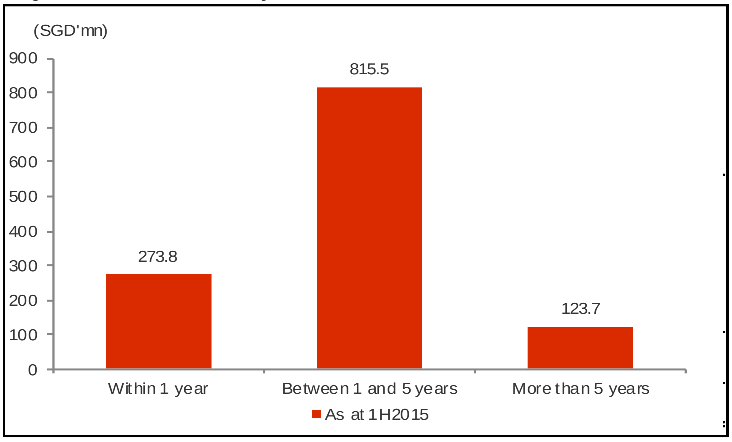
Source: Company

Figure 2: EBIT breakdown by Segment - 1H2015



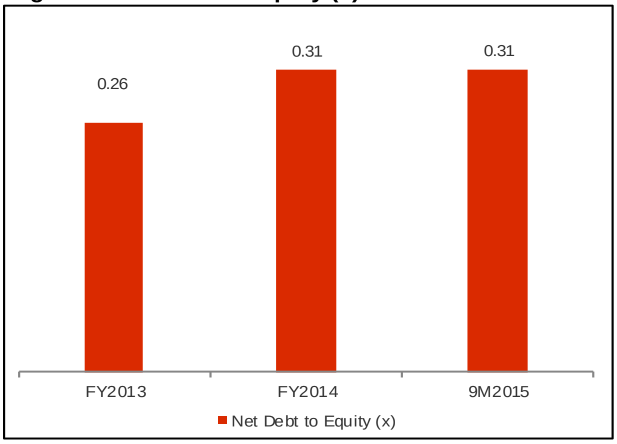
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We continue to like Vanke's good track record, solid credit profile and market leading position despite recent noise over a share ownership. Although VANKE'17 has compressed 135bps to 73.2bps over swaps, they still offer a spread pickup to other BBB+ names in the SG space.

Issuer Profile: Positive

S&P: BBB+/Stable

Moody's: Baa1/Stable

Fitch: BBB+/Stable

Ticker: **VANKE**

Company profile

China Vanke Co. Ltd ("Vanke") is the largest property developer in China in terms of contracted sales (2014: RMB215bn) with a focus on the mass-market segment. With 25 years of experience in the property industry, Vanke has established a strong presence nationwide and has a geographically diversified land bank. Vanke is listed on both the Shenzhen and Hong Kong stock exchanges.

China Vanke Co. Ltd

Key credit considerations

- **Solid 3Q2015 results with leadership in contracted sales:** China Vanke Co. Ltd ("Vanke") reported a solid set of 3Q2015 results, broadly representative of the recovery in China's real estate sector since 1Q2015. 9M2015 revenue was RMB74.96bn, up 26.3% y/y, mainly on increase in GFA delivered of 19.5% y/y to 6.62mn sqm. 9M2015 EBITDA increased by 30% y/y to RMB13.92bn. Margins continued to contract (9M2015 EBITDA margin: 18.57%, 2014:19.3%) due to its mass market focus and higher land costs. Year-to date contracted sales have been strong and is testament to the company's solid sales execution with 11M2015 sales at RMB228.23bn, up 20% y/y and surpassing full-year 2014 sales (RMB215bn) with one month to spare.

- **Shareholder spat could detract from sound operational performance thus far:** There has been a change in the company's largest shareholder from SOE China Resources Co. Ltd ("CRC", 17.31% of A shares) which is SASAC-supervised to the Baoneng Group led by Shenzhen Jushenghua Co. Ltd (15.17% of A shares) and Foresea Life Insurance Co. Ltd (7.57% of A shares). Vanke has not welcomed the sudden stake build-up (from under 5% to 22.45% in 5 months) and there has been a public spat between the 2 companies culminating in a share suspension pending "major asset reorganization". Meanwhile, Anbang Insurance has also amassed a 7% stake in Vanke. Further shareholder disputes or a potential takeover by the Boaneng Group would be credit negative although that is not our base case scenario.

- **Commencing logistics operations:** Vanke has acquired 6 logistics projects in Guiyang, Wuhan, Shanghai, Shenyang, Changsha and Chengdu in a long-term diversification move away from a maturing residential market. Though nascent, diversifying into logistics could be a long-term positive as China's residential market gradually matures with declining margins.

- **Expect lower funding costs with lower onshore rates and onshore corporate bond access:** Vanke will benefit greatly from the PBOC's multiple round of rate cuts which has lowered onshore funding costs. 78.13% of the company's borrowings are onshore and 81.62% are floating in nature. Access to the cheap onshore corporate bond market also increases the funding channels available to the company. Following the issuance of RMB1.8bn of onshore paper at 4.7% in December 2014, Vanke sold a further RMB5bn of onshore bonds at 3.5% which was lower than China Development Banks' (AA-/Aa3/A+) 5-year onshore yield of 3.54%. This is also lower than the last USD400mn offshore issue raised at 4.50% in June 2014 and the RMB1.8bn onshore issue in Dec 2014 at 4.70%. In addition, the establishment of the first REIT listed in China, Penghua-Qianhai-Vanke REIT could further broaden financing options for the company in the long run.

  Solid balance sheet with low leverage: Vanke's cash balance of RMB42.73bn as of end-September 2015 decreased from RMB61.65bn as of end-2014 as the company paid down debt to leave gross debt at RMB71bn down from end-2014 level of RMB81.39bn. Net debt position accordingly improved to RMB28.28bn from RMB39.68bn as of end-2014. Net gearing was 23%, the lowest level in the industry. EBITDA generation remained strong and as a result LTM debt/EBITDA improved to 2.38x from 2.6x on a gross basis. Liquidity was adequate with RMB42.7bn in cash sufficient to cover short term debt of RMB24.17bn by 1.76x.

China Vanke Co Ltd

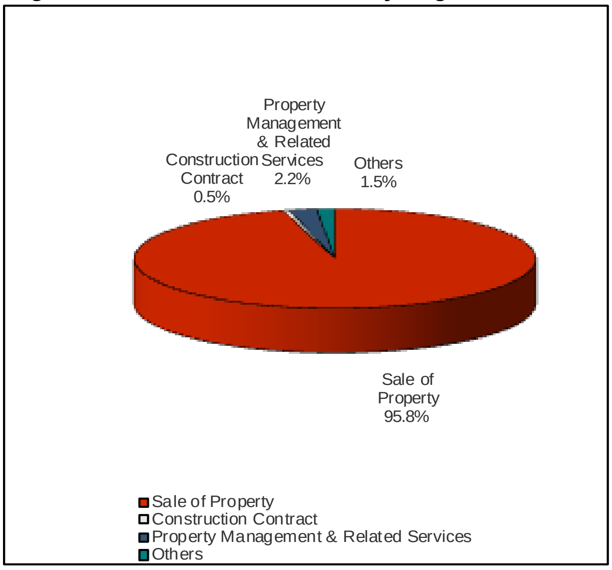
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (RMB'mn)			
Revenue	127,454	137,994	147,110
EBITDA	27,865	26,676	29,309
EBIT	27,686	26,127	28,562
Gross interest expense	6,575	6,835	6,058
Profit Before Tax	27,847	29,987	32,095
Net profit	15,119	15,745	15,782
Balance Sheet (RMB'mn)			
Cash and bank deposits	43,004	62,715	42,735
Total assets	479,475	508,640	571,006
Gross debt	76,706	68,981	71,012
Net debt	33,702	6,266	28,277
Shareholders' equity	105,439	115,894	121,125
Total capitalization	182,145	184,875	192,137
Net capitalization	139,141	122,160	149,402
Cash Flow (RMB'mn)			
Funds from operations (FFO)	15,298	16,294	16,530
CFO	1,924	41,725	19,837
Capex	2,439	1,831	1,847
Acquisitions	5,038	2,612	2,188
Disposals	938	5,746	5,758
Dividends	8,755	10,997	11,155
Free Cash Flow (FCF)	-516	39,894	17,990
* FCF Adjusted	-13,371	32,031	10,404
Key Ratios			
EBITDA margin (%)	21.9	19.3	19.9
Net margin (%)	11.9	11.4	10.7
Gross debt to EBITDA (x)	2.8	2.6	2.4
Net debt to EBITDA (x)	1.2	0.2	1.0
Gross Debt to Equity (x)	0.73	0.60	0.59
Net Debt to Equity (x)	0.32	0.05	0.23
Gross debt/total capitalisation (%)	42.1	37.3	37.0
Net debt/net capitalisation (%)	24.2	5.1	18.9
Cash/current borrowings (x)	1.3	2.7	1.8
EBITDA/Total Interest (x)	4.2	3.9	4.8

Source: Company, OCBC estimates

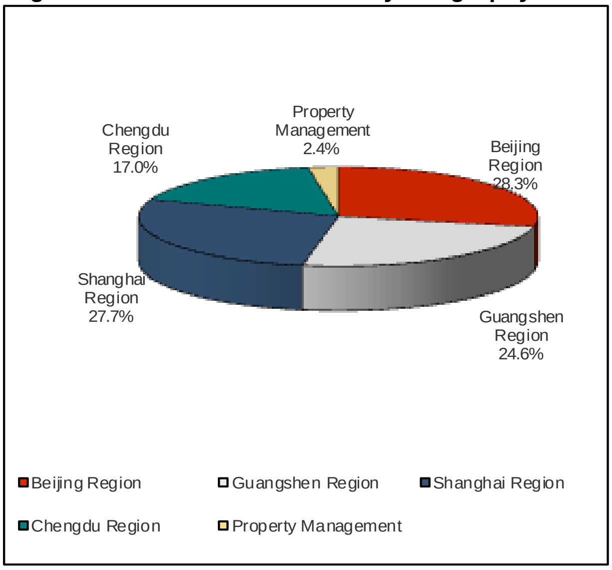
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



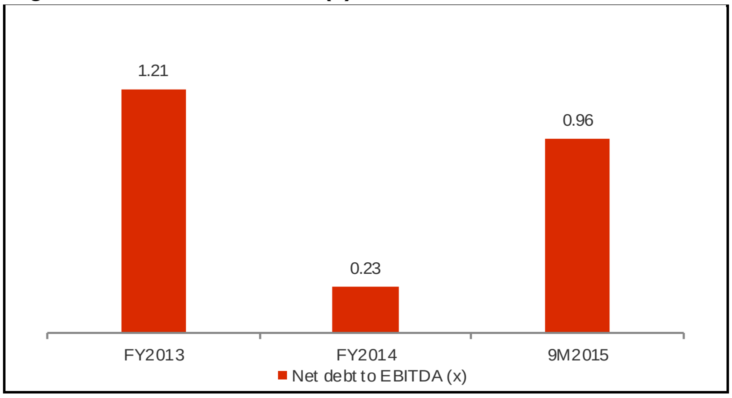
Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



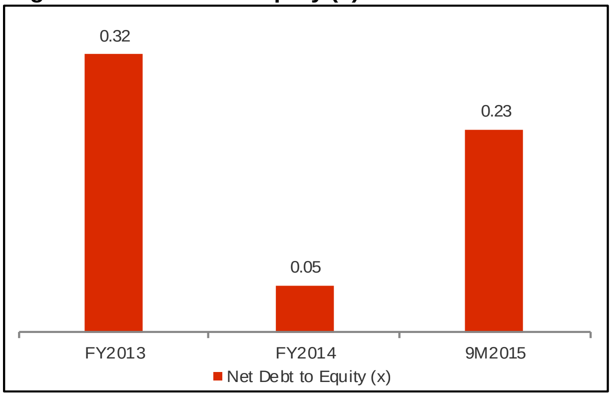
Source: Company

Figure 3: Net Debt / EBITDA (x)



Source: Company, OCBC estimates

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We like CEL's CITIC ownership and growth prospects with solid recurring EBITDA from long-term concession agreements in the water treatment business. Across the CEL curve we think the CEL'18's offer value given the growth outlook and lower price to the CEL '16's (which are tightly held).

Issuer Profile: Positive

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CELSP (UENV)**

Company Profile

CITIC Envirotech Ltd ("CEL") is an integrated water treatment solutions provider in China. CEL operates in 3 main business segments: 1) Engineering (54% of FY2015 revenues); 2) Water Treatment (29%); and 3) Membrane Sales (14%). The company is listed on the SGX and is 55% and 24% owned by CITIC Ltd and KKR respectively.

CITIC Envirotech Ltd

Key credit considerations

- **Weaker YTD revenues on lower EPC business:** CEL's consolidated revenues fell 9.9% in the first half of FY2016 ended September 30, 2015 to SGD154.7mn. This was due to the weaker performance of the lumpy engineering segment with revenues down 42% y/y from SGD113.1mn to SGD66.0mn. In contrast, the water treatment and membrane segments performed strongly with revenues up 50% and 57% respectively to partially mitigate the YTD fall in engineering revenue.

- **Integration benefits feeding through margins**: Despite the fall in revenues, first half EBITDA generation is largely on track with FY2014, a record year for CEL. This is because of the solid growth and better contribution from CEL's water treatment and membrane segments. This highlights the benefits of CEL's integrated business model. Further, the water treatment and membrane segments generate stronger margin segment margins of around 40% and 50% respectively (in contrast to segment margins for EPC in the mid teen range). As such, the higher contribution of the better margin segments has translated into improved consolidated EBITDA margins of 45% for the first half of FY2016 compared to ~40% in the past two fiscal years (which did not include the membrane segment).

- **Solid project pipeline underpinned by favourable industry dynamics:** CEL's integrated businesses and ability to bid across a variety of business models (build-own-operate (BOO), build-own-transfer (BOT), transfer-own-transfer (TOT), operations and maintenance (O&M)) positions CEL well to take advantage of favourable industry dynamics in China's water treatment sector, due to supportive government policies and growing public demand for clean water. The energy saving and environmental protection industry is one of the seven strategic industries that China will nurture and develop with the government projecting that the industry will grow at a compounded annual growth rate of more than 15% per annum to 2020. So far this fiscal year, CEL has won engineering projects totalling around SGD620mn across BOT, TOT, O&M and BOO including its first Public-Private Partnership in China in Liaoning Province.

- **Rising leverage mitigated by steady cash flow stream:** Given CEL's growth ambitions and the positive industry outlook, CEL has been building its financial resources. It issued SGD225mn in fixed rate notes in April 2015 and recently issued USD175mn in senior perpetual securities in November. Gross leverage will increase materially as a result although growth in net leverage was more moderate as the bulk of proceeds from the SGD notes remained as cash as at September 30, 2015 waiting to be deployed into on-going water projects. While the increase in leverage is worth monitoring and consolidated margins may remain somewhat volatile due to lumpy EPC contribution, we continue to like the quality of CEL's cash flows, with recurring EBITDA from the treatment business sufficient to cover interest expenses by ~1.5x in 1H2016. These cash flows are underpinned by long-term concessions of up to 30 years with cost pass-throughs, which result in margin stability.

- **CITIC and KKR ownership continues to be supporting factor:** We expect CEL to take advantage of industry dynamics by leveraging off of the support of its two largest shareholders. CEL is being positioned as CITIC's flagship business in water and waste water treatment and is expected to benefit from the CITIC Group's business and financial network and resources. Similarly, CEL should benefit from KKR's global strategic, operational and financial expertise. Overall, parent support remains a key consideration for our **Positive** issuer rating, given its importance for taking advantage of growth prospects in China and mitigating the higher leverage risk.

CITIC EnviroTech Ltd

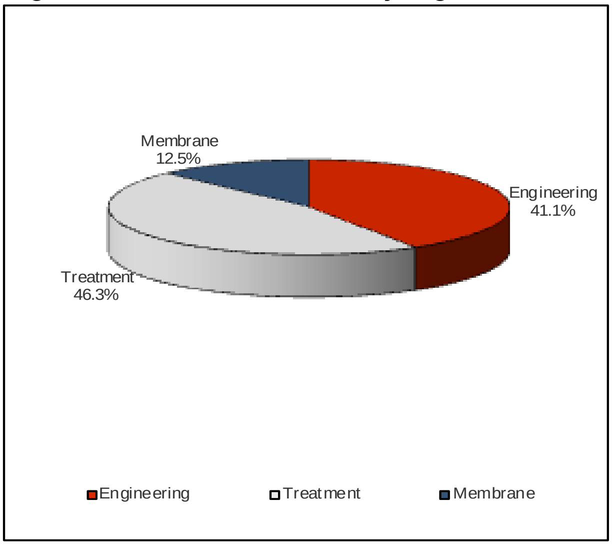
Table 1: Summary Financials

Year End 31st Mar	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	202.3	349.0	154.7
EBITDA	81.2	138.9	70.5
EBIT	74.9	125.7	60.7
Gross interest expense	17.6	29.0	21.8
Profit Before Tax	31.2	79.9	25.0
Net profit	20.1	59.3	17.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	141.7	113.8	296.7
Total assets	786.5	1,386.7	1,841.8
Gross debt	181.7	319.2	700.7
Net debt	40.0	205.5	404.0
Shareholders' equity	319.2	741.3	885.8
Total capitalization	500.9	1,060.6	1,586.6
Net capitalization	359.2	946.8	1,289.8
Cash Flow (SGD'mn)			
Funds from operations (FFO)	26.3	72.4	27.0
CFO	84.4	32.1	57.6
Capex	1.5	10.1	29.3
Acquisitions	0.3	22.3	32.5
Disposals	6.9	6.2	0.0
Dividend	3.0	2.7	5.6
Free Cash Flow (FCF)	82.9	21.9	28.3
FCF adjusted	86.5	3.1	-9.9
Key Ratios			
EBITDA margin (%)	40.1	39.8	45.5
Net margin (%)	9.9	17.0	11.1
Gross debt to EBITDA (x)	2.2	2.3	5.0
Net debt to EBITDA (x)	0.5	1.5	2.9
Gross Debt to Equity (x)	0.57	0.43	0.79
Net Debt to Equity (x)	0.1	0.3	0.5
Gross debt/total capitalisation (%)	36.3	30.1	44.2
Net debt/net capitalisation (%)	11.1	21.7	31.3
Cash/current borrowings (x)	9.2	1.9	1.0
EBITDA/Total Interest (x)	4.6	4.8	3.2

Source: Company, OCBC estimates

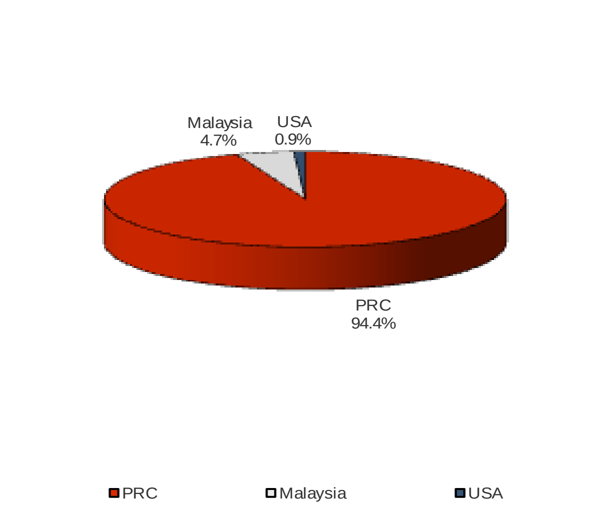
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2016



Source: Company

Figure 2: Revenue breakdown by Geography - FY2015



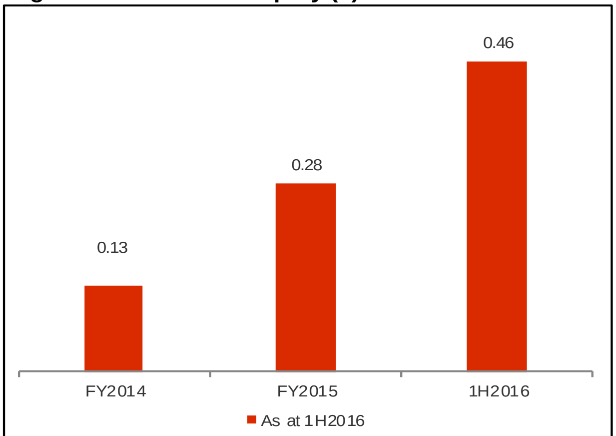
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	198.6	28.3%
Unsecured	102.1	14.6%
	300.7	**42.9%**
Amount repayable after a year		
Secured	163.4	23.3%
Unsecured	236.7	33.8%
	400.1	**57.1%**
Total	**700.8**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – CDL has the balance sheet and access to a variety of funding channels to withstand a slowdown in the Singapore residential market. The CITSP complex is trading slightly inside CAPLSP (about 20bps tighter for the 20s) which is fair given the stronger credit metrics.

Issuer Profile: Positive

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CITSP**

Company Profile

Listed in 1963, City Developments Ltd ("CDL") is an international property and hotel conglomerate. CDL has three core business segments – property development, hotel operations and investment properties. CDL's hotel operations are conducted through its 63.3%-owned subsidiary, Millennium & Copthorne Hotels plc ("M&C"), while the investment and development property portfolio is Singapore-centric. CDL is a subsidiary of Hong Leong Group Singapore.

City Developments Ltd

Key credit considerations

- **Weak 9M2015 results due to Singapore residential exposure:** CDL's 9M2015 revenue decreased 16.1% y/y to SGD2.50bn, mainly due to lower contributions from the property development segment. 9M2015 EBITDA was down 10.4% y/y to SGD643.5mn as a result. Property development revenue decreased by 40% y/y to SGD795.4mn for 9M2015 mainly due to absence of revenue recognition from Blossom Residences EC. CDL's hotel operations under its 64.8%-owned subsidiary Millennium & Copthorne Hotel PLC (M&C) was relatively stable with revenue contributions increasing 1.7% y/y to SGD1.24bn. The hotel segment benefited from contributions from 5 new hotels acquired during 2014 but this was offset by challenging conditions in Asia. CDL's investment property portfolio continued to perform, with 9M2015 revenue increasing 6.6% y/y to SGD300.6mn, mainly due to Millennium Mitsui Garden Hotel Tokyo's opening in December 2014.

- **Large exposure to weak Singapore property market partially mitigated by stable contributions from investment properties and hotel operations:** Singapore property development continues to be CDL's largest earnings driver at 32% of 9M2015 revenue and 46.7% of profit before tax. That said, we think CDL's investment properties and hotel operations should continue to support the group's earnings although we believe CDL will continue to face headwinds from the weak property market in Singapore. CDL's hotel portfolio is well diversified (US:6,701 rooms, London:2,651, Europe:2,560, Middle East:6,446, Singapore:2,716, rest of Asia:9,427, Australasia:4,077) with challenges in Asia (RevPAR down 10.0%) this year offset by better performance in US and Europe (RevPAR up ~3%).

- **Diversifying to overseas developments in China, UK and Japan:** CDL has been cautiously expanding its property development business overseas to diversify its portfolio. In 2014, the company acquired ~SGD1.3bn of assets in United States, United Kingdom, Italy, Japan and China and has been progressing well. In Chongqing, Eling Residences will be launched in November 2015 with completion in 2016. Meanwhile 381 units at Suzhou Hong Leong City Center Phase 1 have been sold. In the UK, 45 contracts have been exchanged at its 82 unit Reading project while 33 are reserved. Profits are forecasted for 3Q 2016. So while there has been a gestation period for its overseas projects, these are expected to start contributing this year.

- **Further capital recycling and asset monetisation:** CDL will inject 3 office properties in Singapore into a joint investment platform with Alpha Investment Partners for SGD1.07bn and in turn fund 40% of the platform by subscribing to ~SGD133mn in junior bonds and equity. The transaction will unlock net cash of SGD937.7mn and an estimated gain of SGD605mn on divestments once concluded with net gearing falling to 19.7% from 29%.

- **Robust balance sheet to withstand headwinds in Singapore property:** Net gearing crept up to 29% as of end-September 2015 from 25% in 2013 and 26% in 2014. However, CDL's net gearing number is actually overstated compared to other property developers because they value their investment properties at cost (For example net gearing ratio was 7ppt lower in 2014 if revaluation surpluses were taken into account). Cash depleted to SGD2.9bn from SGD 3.9bn in 2014 despite positive operating cash flows of SGD467.6mn as the company used cash in 1) buying Hard Days Night Hotel in Liverpool and capex (SGD161.26mn), 2) CDL paid down 565.3mn in gross debt and paid more in dividends, interest and in acquiring M&C shares during 9M2015. That said, liquidity remained sufficient with SGD2.9bn in cash covering SGD1.73bn in short term debt.

City Development Limited

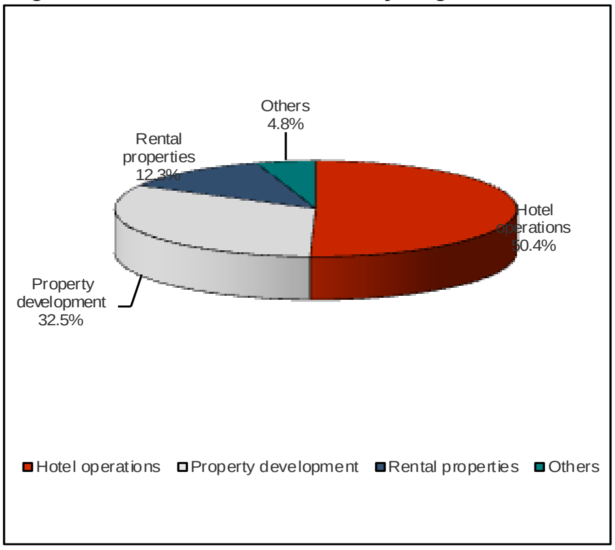
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	3,162.1	3,763.9	2,449.1
EBITDA	1,242.8	1,323.0	643.5
EBIT	1,083.4	1,123.0	483.6
Gross interest expense	75.7	131.0	84.5
Profit Before Tax	892.4	1,003.7	514.0
Net profit	683.0	769.6	362.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	2,940.0	3,897.6	3,876.1
Total assets	17,774.1	19,700.5	19,869.8
Gross debt	5,514.5	6,699.1	6,133.8
Net debt	2,574.5	2,801.6	2,257.7
Shareholders' equity	10,215.9	10,775.6	11,447.9
Total capitalization	15,730.5	17,474.7	17,581.7
Net capitalization	12,790.5	13,577.2	13,705.7
Cash Flow (SGD'mn)			
Funds from operations (FFO)	842.3	969.6	522.9
CFO	540.7	292.2	467.6
Capex	182.9	936.2	183.3
Acquisitions	66.9	246.7	36.7
Disposals	291.7	1,075.7	0.4
Dividend	250.8	274.8	256.1
Free Cash Flow (FCF)	357.8	-644.0	284.3
FCF Adjusted	331.8	-89.9	-8.2
Key Ratios			
EBITDA margin (%)	39.3	35.1	26.3
Net margin (%)	21.6	20.4	14.8
Gross debt to EBITDA (x)	4.4	5.1	7.1
Net debt to EBITDA (x)	2.1	2.1	2.6
Gross Debt to Equity (x)	0.54	0.62	0.54
Net Debt to Equity (x)	0.25	0.26	0.20
Gross debt/total capitalisation (%)	35.1	38.3	34.9
Net debt/net capitalisation (%)	20.1	20.6	16.5
Cash/current borrowings (x)	2.64	1.75	2.25
EBITDA/gross interest (x)	16.4	10.1	7.6

Source: Company, OCBC estimates

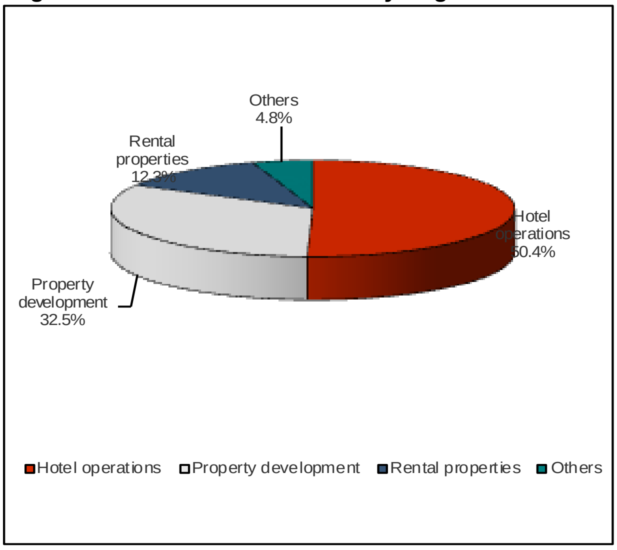
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Revenue breakdown by Segment - 9M2015



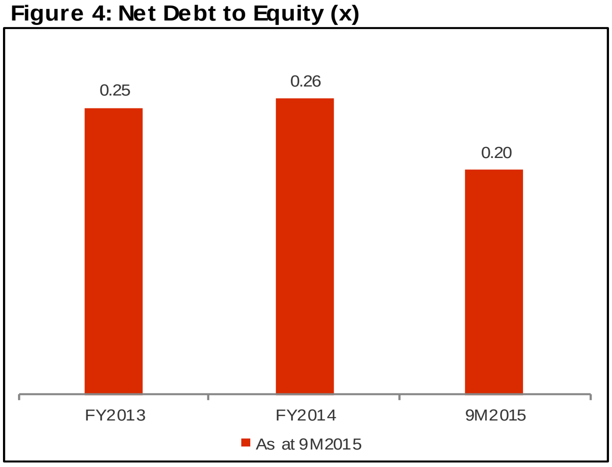
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	275.2	4.5%
Unsecured	1454.1	23.6%
	1729.3	**28.1%**
Amount repayable after a year		
Secured	923.0	15.0%
Unsecured	3501.5	56.9%
	4424.5	**71.9%**
Total	**6153.8**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – While CKH's credit profile is sound and benefits from its geographic and business diversity, risks could come from its high appetite for acquisitions. We continue to Underweight the 5.125% perps due to the poor structure which gives the company little economic incentive to call this year.

Issuer Profile: Neutral

S&P: A-/Stable

Moody's: A3/Stable

Fitch: A-/Stable

Ticker: **CHEUNG**

Company Profile

CK Hutchison Holdings Ltd ("CKH") is a globally diversified conglomerate holding all the non-property businesses of the Cheung Kong Group. The company has business interests spanning telecommunications, ports, retail, infrastructure, energy, and aircraft leasing. CKH was formed after the streamlining of Cheung Kong and Hutchison Whampoa group of businesses and is listed on the HKEX with a market capitalization of HKD440bn as of 30 Jun 15.

CK Hutchison Holdings Ltd

Key credit considerations

- **Restructuring completed:** The corporate restructuring of Cheung Kong Holdings and Hutchison Whampoa Ltd was completed on 03 Jun 15. CK Property Holdings Ltd will comprise all property-related assets while CK Hutchison Holdings Ltd ("CKH") will house all non-property related assets which span business in telecommunications, ports, retail, infrastructure, energy, and aircraft leasing. All existing bonds, both from Cheung Kong and Hutchison Whampoa will now be guaranteed by CKH. CKH is essentially a concentrated Hutchison Whampoa without property exposure and has been rated A-/A3/A- by S&P, Moody's and Fitch, respectively.

- **1H2015 results driven by legacy Hutchison Whampoa businesses:** 1H2015 pro-forma (as if reorganization was effective 1 Jan 2015) comparable revenue was down 5% y/y (compared to Hutchison Whampoa 1H2014) to HKD186.75bn on an aggregate basis mainly reflecting reduced contribution from Husky Energy (weak oil prices) and foreign currency translation effects due to a weak EUR. However, if additional contributions due to the reorganization were included, revenue was flat y/y. Consequently EBITDA was down 3% y/y on a comparable basis or up 8% y/y to HKD41.12bn and HKD46.16bn, respectively. Across the operating segments, CKH's diversified business portfolio helped offset the challenging oil environment faced by Husky Energy (EBITDA -43%) with improved performance in other segments i.e. 1) Throughput growth, higher margin mix and lower fuel costs at ports (EBITDA +8%); 2) organic growth and improving margins in retail (EBITDA +1%), broad based growth in infrastructure (EBITDA +5%), and accretive earnings contribution after acquisition of O_2 Ireland by 3 Ireland in telecommunications (EBITDA +17%).

- **Diversified portfolio of stable assets that generate recurring income:** CKH owns a diversified group of businesses which generate steady cash flows. The company also has good geographic diversification mainly across stable, developed markets.

- **Possible risk of more acquisitions:** A further acceleration in acquisitions by CKH could stretch the balance sheet. We view the likelihood of further acquisitions as high due to CKH's acquisitive nature. In addition to Park'NFly, Envestra and an entry into aircraft leasing last year, 2015 saw the acquisition of Eversholt Rail Group, a rolling stock leasing company in the UK for HKD29.3bn, and an agreement to acquire O_2 from Telefonica for GBP10.3bn. That said, the sale of a minority stake in the O_2 deal will reduce capital requirements and cash outlay. CKH also does have a track record of making accretive acquisitions and we expect CKH to remain financially disciplined.

- **Ample liquidity and strong, stable credit profile:** CKH has ample liquidity with HKD162bn in cash and committed and undrawn bank facilities of HKD85bn (including HKD50.8bn for O_2 acquisition) sufficient to cover short-term debt of HKD44bn and HKD21.06bn in contracted and authorized capital expenditures. In addition, CKH has strong relationships with banks and good capital markets access. Based on annualized 1H2015 numbers, CKH reported debt/EBITDA of 3.70x and 1.95x on a gross and net basis, respectively. EBITDA interest was also comfortable at 7.3x.

CK Hutchison Holdings Ltd

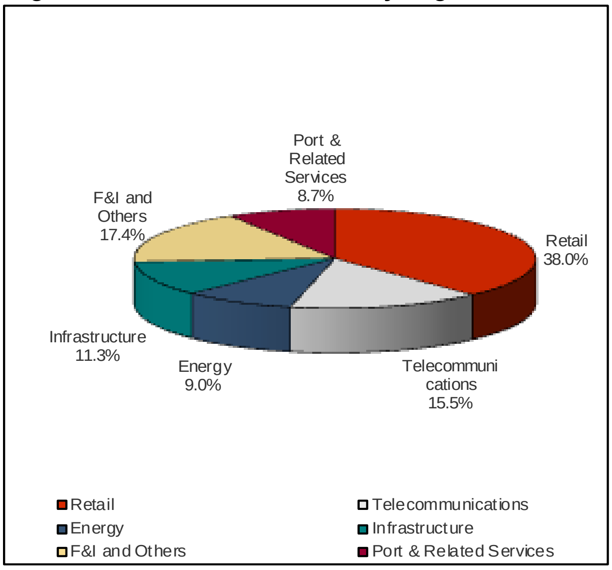
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	1H2015
Income Statement (HKD'mn)			
Revenue	17,013	24,259	197,019
EBITDA	6,948	9,296	46,165
EBIT	6,623	8,903	30,677
Gross interest expense	926	782	6,295
Profit Before Tax	37,494	55,927	24,382
Net profit	35,260	53,869	14,938
Balance Sheet (HKD'mn)			
Cash and bank deposits	33,197	33,179	162,062
Total assets	428,837	457,941	1,079,536
Gross debt	41,890	37,874	341,754
Net debt	8,693	4,695	179,692
Shareholders' equity	372,821	406,047	557,098
Total capitalization	414,711	443,921	898,852
Net capitalization	381,514	410,742	736,790
Cash Flow (HKD'mn)			
Funds from operations (FFO)	35,585	54,262	30,426
CFO	14,620	34,881	18,530
Capex	162	7,849	7,680
Acquisitions	3,078	5,478	57
Disposals	9,933	3,893	112,474
Dividends	7,524	24,717	-32,478
Free Cash Flow (FCF)	14,458	27,032	-57
* FCF Adjusted	13,789	730	155,745
Key Ratios			
EBITDA margin (%)	40.8	38.3	23.4
Net margin (%)	207.3	222.1	7.6
Gross debt to EBITDA (x)	6.0	4.1	3.7
Net debt to EBITDA (x)	1.3	0.5	1.9
Gross Debt to Equity (x)	0.11	0.09	0.61
Net Debt to Equity (x)	0.02	0.01	0.32
Gross debt/total capitalisation (%)	10.1	8.5	38.0
Net debt/net capitalisation (%)	2.3	1.1	24.4
Cash/current borrowings (x)	13.6	1.8	3.7
EBITDA/Total Interest (x)	7.5	11.9	7.3

Source: Company, OCBC estimates

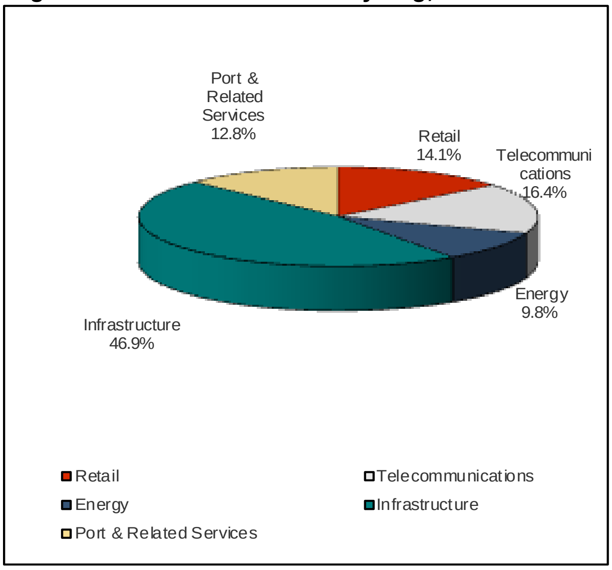
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



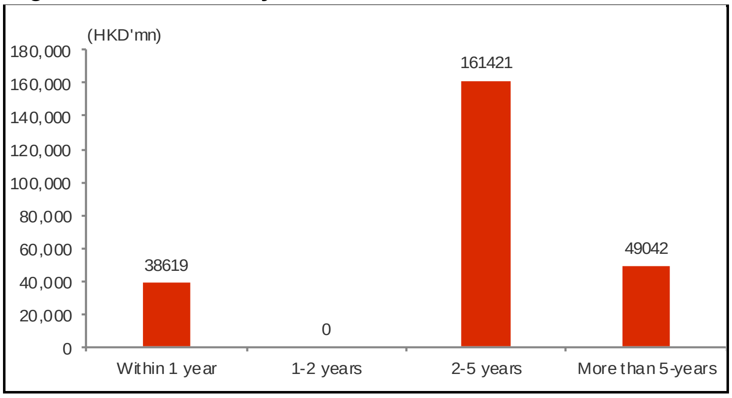
Source: Company

Figure 2: EBITDA breakdown by Seg,emt - 1H2015



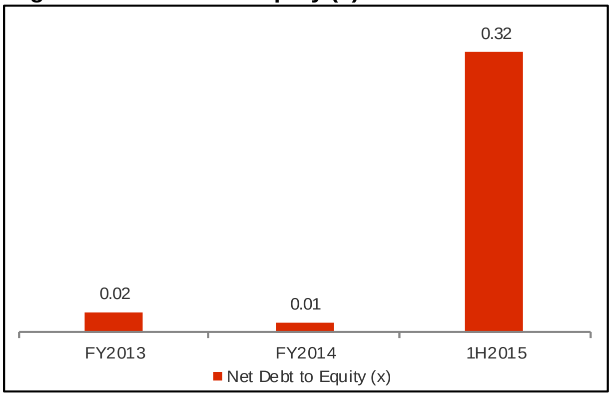
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

CWT Limited

Credit Outlook – Capacity expansion in CWT's core logistics business should continue to offset soft operating conditions in other segments for 2016. The CWTSP '17 provides decent yield for its duration but its spread relative to the curve has reduced, hence we are neutral across the curve.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CWTSP**

Company Profile

CWT Limited (CWT) is an integrated logistics solutions provider operating in around 90 countries through regional offices and network partners. CWT uses its logistics network to provide ancillary and connected businesses including commodity marketing (CM), financial services and engineering services. Operations are focused in Asia-Pacific where over 90% of revenues are generated, predominantly in Singapore and China. The Chairman, Mr Loi Kai Meng, is the largest shareholder with direct and indirect interests of around 50%.

Key credit considerations

- **Continued pressure on top-line:** CWT's revenues continue to be impacted by the significant drop in commodity prices and lower commodity trading volumes, particularly naphtha. Consolidated revenues were down 51% y/y for the 9 months to 30 Sep 15 with CM contributing 98% of the fall in revenues. Other segments were not immune to the commodity market slowdown. Revenues in logistics services fell 3% due to a fall in commodity logistics volumes although the segment still remains relatively stable. Financial services YTD revenues were also down falling 38% y/y to SGD105m.

- **Consolidated margins somewhat resilient from a better business mix:** Despite the sharp deterioration in CM, consolidated gross profit on an absolute basis continues to broadly track FY2014 gross profit of SGD330m. This is due to the improved revenue contribution of the logistics segment (following capacity expansion from Cold Hub 2 and the start-up of operations at the Pandan Logistics Centre in 1Q2015) as well as the logistics segment's much better and more stable margins compared to the other business segments. Although logistics segment margins continue to be impacted by start-up costs from the new logistics hubs, we continue to view the change in revenue contribution as a positive trend given the better business risk profile of the logistics segment.

- **A challenging year ahead?** CWT is likely to face headwinds in 2016 with softness in commodity prices and commodity trading volumes likely to impact revenues in CM, logistics and financial services. In particular, demand for copper imports and naphtha is expected to remain subdued due to China's slowing economy. At the same time, investment spending will be ramping up for the company's logistics capacity expansion, which primarily relates to the 2.4 million sqft mega logistics hub. Expected capex will be around SGD300mn with the bulk of the expenditure occurring in 2016 and completion targeted by the first half of 2017. Although this investment provides a solid platform for future growth, we expect this investment and the softer operating environment to result in relatively tight if not negative free cash flows (before working capital) in the medium term.

- **Liquidity and capital management important in the short term:** With CWT's liquidity and leverage profile likely to weaken, liquidity and capital management will be a priority during the next 12 months. We note that CWT has maintained its liquidity headroom despite cash coverage and leverage weakening as expected as at 3Q2015. With its multicurrency debt program and reported total bank facilities (including project loans) of SGD4.5bn as at 30 Sep 15, CWT's liquidity position should remain adequate to meet working capital swings, capex and short term debt commitments.

- **Focus on core logistics segment a long term credit positive:** CWT's enhanced logistics capacity from the mega logistics hub (circa. 35% of existing warehouse space) and Singapore's regional hub status should provide a solid and stable cash flow base in the future. Assuming CWT does not pursue further large scale expansions, free cash flows should turn strongly positive in the medium to longer term. Cash flow quality should also improve due to higher contribution from the higher margin, more stable logistics segment. In the interim, CWT's revenues and cash flow from operations will continue to reflect some volatility from the CM segment. Nevertheless, we believe CWT's credit profile will remain supported by the stable cash flows from logistics and mitigate likely weaker credit metrics from higher leverage over the next 1-2 years as CWT completes its mega logistics hub.

CWT Limited

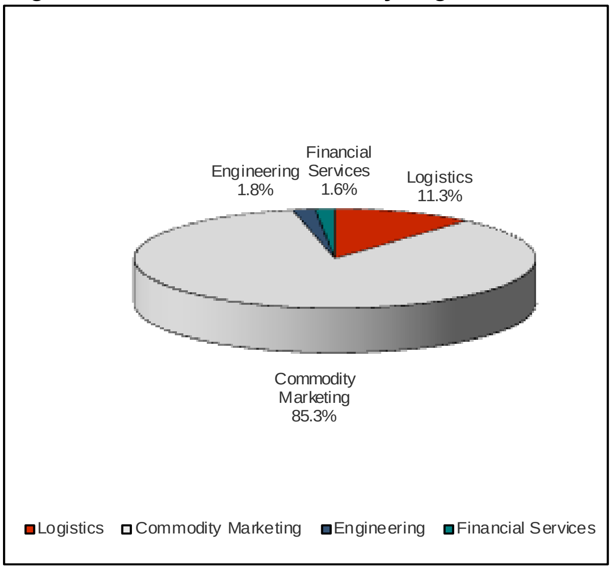
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	9,097.1	15,194.5	5,831.0
EBITDA	157.6	203.4	159.0
EBIT	124.2	162.7	123.6
Gross interest expense	47.0	63.5	42.3
Profit Before Tax	115.7	131.6	103.8
Net profit	106.0	112.4	82.7
Balance Sheet (SGD'mn)			
Cash and bank deposits	197.3	342.0	296.0
Total assets	4,052.2	4,356.6	4,980.1
Gross debt	1,293.3	1,430.6	1,520.7
Net debt	1,096.0	1,088.6	1,224.7
Shareholders' equity	687.2	791.5	852.5
Total capitalization	1,980.6	2,222.1	2,373.1
Net capitalization	1,783.2	1,880.1	2,077.1
Cash Flow (SGD'mn)			
Funds from operations (FFO)	139.4	153.0	118.0
CFO	-390.8	237.1	131.9
Capex	181.0	113.7	29.8
Acquisitions	21.7	20.5	0.4
Disposals	35.1	5.3	26.7
Dividends	21.1	23.4	45.6
Free Cash Flow (FCF)	-571.8	123.4	102.1
* FCF Adjusted	-579.6	84.8	82.7
Key Ratios			
EBITDA margin (%)	1.7	1.3	2.7
Net margin (%)	1.2	0.7	1.4
Gross debt to EBITDA (x)	8.2	7.0	7.2
Net debt to EBITDA (x)	7.0	5.4	5.8
Gross Debt to Equity (x)	1.88	1.81	1.78
Net Debt to Equity (x)	1.59	1.38	1.44
Gross debt/total capitalisation (%)	65.3	64.4	64.1
Net debt/net capitalisation (%)	61.5	57.9	59.0
Cash/current borrowings (x)	0.2	0.4	0.3
EBITDA/Total Interest (x)	3.4	3.2	3.8

Source: Company, OCBC estimates

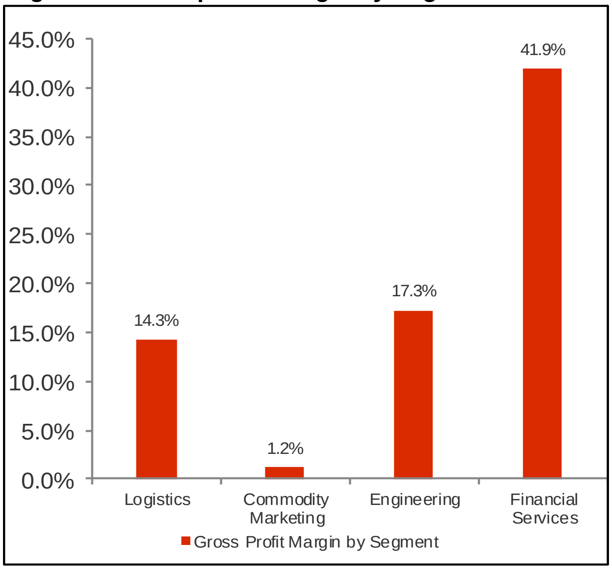
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



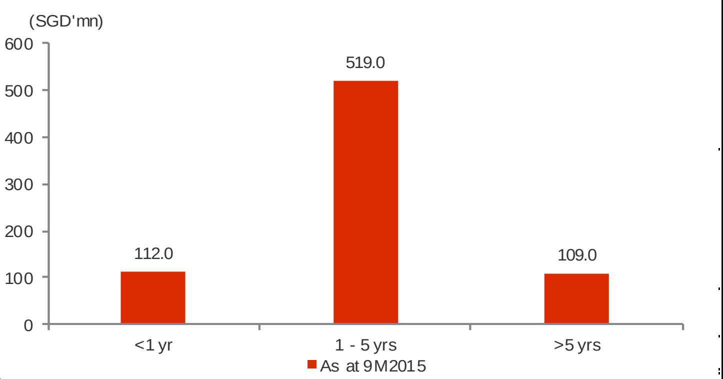
Source: Company

Figure 2: Gross profit margin by Segment - 9M2015



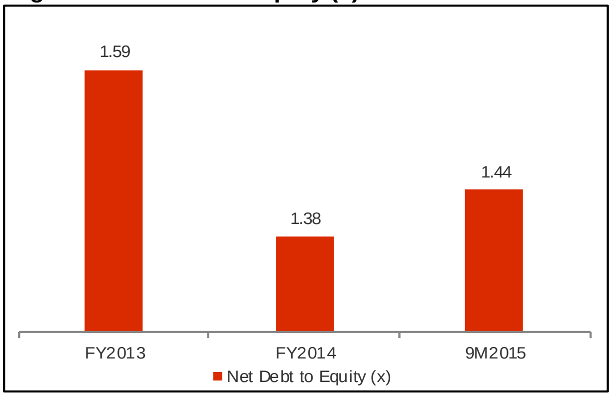
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We are reducing the EZISP curve to Neutral given better risk-reward opportunities elsewhere in offshore marine, particularly given our expectation of further issuer credit profile deterioration. The EZISP'20s (with external credit enhancement) have also rallied to fair value.

Issuer Profile: Negative

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **EZISP**

Company profile

Ezion is a company engaged in the provision of liftboats and service rigs, as well as offshore logistics support services to national oil majors and multinational oil majors on a long-term basis. With over 30 service rigs and 55 offshore logistics support vessels, it operates in South-East Asia, Middle East, West Africa, Central America, Europe and USA. Though the firm was listed since 2000, Ezion only entered into the offshore marine industry from April 2007 onwards. The CEO, Chew Thiam Keng, is the largest shareholder with a 14.3% stake. The chairman, Lee Kian Soo, is also the founder of the Ezra Group of companies.

Ezion Holdings

Key credit considerations

- **The revenue grind continues:** Revenue declined 9.1% y/y to USD86.2mn. The period also saw q/q revenue decline of 4.3%. Like 1H2015, revenue has been pressured due to lower contribution from the offshore logistics support services division, as projects in Australia did not go as plan. In addition, though revenue from the service rig segment (~75% of revenue) tends to be stickier due to generally longer leases, given the continued challenges in the global energy sector, we can expect more weakness over the next few quarters. Part of EZI's service rigs are older jack-up rigs that EZI purchased second-hand from larger contract drillers, such as Ensco. As existing contracts for these rigs complete, it could be challenging for EZI to find new charters, or to obtain good rates for the rigs, particularly given the current glut of newbuild jack-up rigs in the market. EZI's management hinted as such, stating that they are switching the rigs among clients, and spending capex in modifications as well as upgrades. On the bright side, we expect sustained demand for EZI's liftboats.

- **Larger fleet, higher costs:** Gross profit plunged USD23.4mn to USD25.0mn y/y (gross margin fell from 51% to just 29% across the period). This was driven mainly by the fleet expansion with additional liftboats and jack-up rigs, which drove COGS higher 31.8% y/y. The additional financing expense due to the fleet additions has also pressured operating income. These factors drove net income lower 38.4% y/y to USD30.3mn. If not for the FX gain of USD7.5mn, net income would have fallen further. Looking forward, we are expecting more margin pressure as utilization may worsen when the rigs fall off charter / being redeployed, and lease rates are pressured.

- **Liquidity pressured due to capex**: Due to capex for their newbuild rigs as well as jack-up rigs refurbishments, 9M2015 capex remains high at USD339.6mn. Coupled with falling operating cash flow due to lower margins, free cash flow remains negative USD193.0 for 9M2015. EZI also called its SGD125mn (~USD86mn) in perpetual securities upon first call date during September 2015. EZI financed the gap via USD154mn in additional net borrowings and consumed USD126mn of cash on its balance sheet. As of end-3Q2015, EZI has about 25% of its borrowings due over the next twelve months. Most of it is amortizing secured vessel financing. EZI's cash / current borrowings worsened from 1.3x (end-2014) to 0.7x (end-3Q2015). Though acquisitions of the old jack-up rigs may taper off, we can expect more capex needs to re-spec off-charter rigs in order to redeploy them for new contracts. With the current environment continuing to look weak, we can expect there to be more liquidity deterioration.

- **Credit profile pressured**: The increase in borrowings as well as softer EBITDA generation has driven net debt / EBITDA higher from 4.0x (end-2014) to 5.5x (end-3Q2015). Due to EZI calling its perpetual securities and higher leverage, net gearing has deteriorated as well from 86% (end-2014) to 104% (end-3Q2015). We believe that EZI's credit profile may potentially deteriorate further, particularly on a net debt / EBITDA basis. Management's stated intent to explore M&A as well as strategic tie-ups to enhance returns add to execution uncertainty. With these factors in mind, coupled with sustained headwinds in the global energy market, we are downgrading EZI's Issuer Profile to **Negative**.

Ezion Holdings

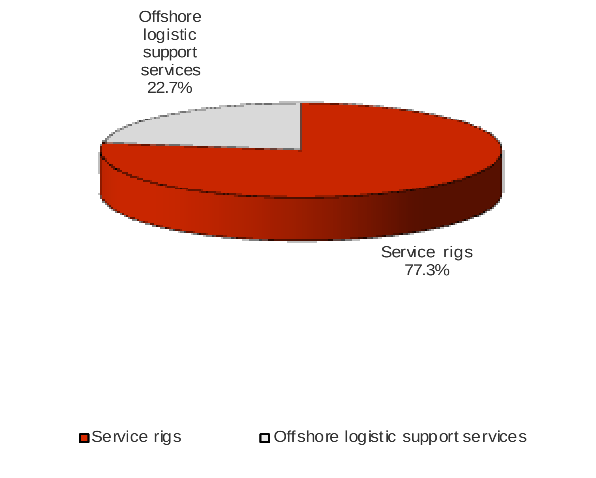
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	9M2015
Income Statement (USD'mn)			
Revenue	281.9	386.5	266.4
EBITDA	160.5	279.4	183.9
EBIT	115.1	176.6	84.4
Gross interest expense	12.8	30.4	19.8
Profit Before Tax	163.0	225.8	101.4
Net profit	160.4	223.7	100.3
Balance Sheet (USD'mn)			
Cash and bank deposits	166.0	371.5	245.5
Total assets	2,043.1	2,981.0	3,158.8
Gross debt	1,085.9	1,496.0	1,605.0
Net debt	919.9	1,124.5	1,359.6
Shareholders' equity	800.2	1,312.6	1,302.0
Total capitalization	1,886.2	2,808.7	2,907.1
Net capitalization	1,720.2	2,437.2	2,661.6
Cash Flow (USD'mn)			
Funds from operations (FFO)	205.8	326.4	199.9
CFO	155.5	213.5	175.8
Capex	751.0	529.0	339.6
Acquisitions	58.7	14.7	4.8
Disposals	51.0	17.7	0.0
Dividend	0.8	1.0	1.2
Free Cash Flow (FCF)	-595.6	-315.4	-163.8
FCF adjusted	-604.1	-313.4	-169.8
Key Ratios			
EBITDA margin (%)	56.9	72.3	69.0
Net margin (%)	56.9	57.9	37.7
Gross debt to EBITDA (x)	6.8	5.4	6.5
Net debt to EBITDA (x)	5.7	4.0	5.5
Gross Debt to Equity (x)	1.36	1.14	1.23
Net Debt to Equity (x)	1.15	0.86	1.04
Gross debt/total capitalisation (%)	57.6	53.3	55.2
Net debt/net capitalisation (%)	53.5	46.1	51.1
Cash/current borrowings (x)	0.7	1.3	0.7
EBITDA/Total Interest (x)	12.5	9.2	9.3

Source: Company, OCBC estimates

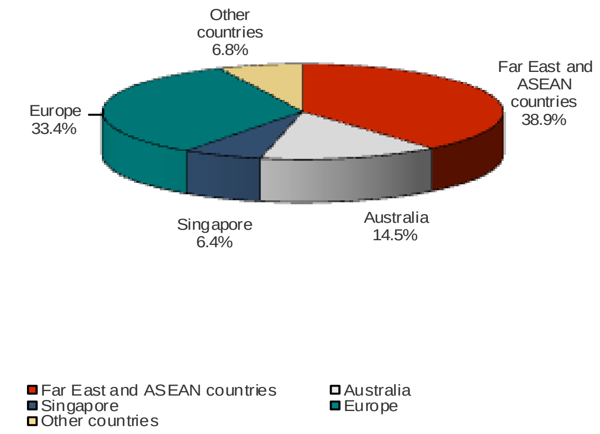
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2014



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



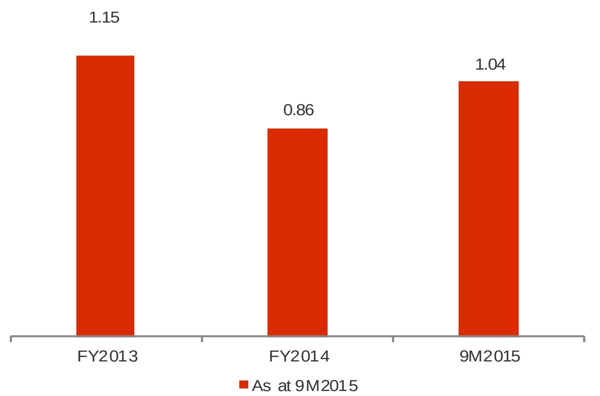
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (USD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	316.9	19.2%
Unsecured	101.1	6.1%
	418.0	**25.3%**
Amount repayable after a year		
Secured	857.0	51.9%
Unsecured	375.4	22.7%
	1232.4	**74.7%**
Total	**1650.4**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We continue to be Overweight the EZRASP'16s (adequate liquidity to meet the maturity) and EZRASP'18s (though a better entry point would be post the execution of the JV).

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **EZRASP**

Company profile

Listed in 2003, Ezra is an offshore contractor and provider of integrated offshore solutions to the global oil and gas industry. The group has three main business divisions, namely subsea services, offshore support & production services and marine services. Under the EMAS branding, it operates in more than 16 locations across Africa, Americas, Asia-Pacific and Europe. The founding Lee family controls ~25% of the firm. Ezra is pending a 50:50 JV with Chiyoda with regards to its subsea services segment.

Ezra Holdings Ltd

Key credit considerations

- **Big Changes Looming:** Ezra has announced its intention to sell 50% of its subsea division, EMAS AMC, to Chiyoda Corp ("Chiyoda", 6366 JP), for a total consideration of USD180mn. As such, Ezra has deconsolidated EMAS AMC from the group's results, radically changing the FY2015 results relative to FY2014 as the division contributed >60% of FY2014's total revenue. The deal is expected to close by the end of 1Q2016, subjected to closing conditions. The segments that were still consolidated into Ezra's results, the OSV / offshore support services (EMAS Offshore, "EMAS SP") and shipyard / marine services business (Triyards, "ETL SP"), generated USD249.7mn and USD282.9mn in revenue respectively.

- **FY2015 Review**: Continuing operations saw revenue increase 11.0% y/y, driven by gains in the shipyard business (supported by four liftboat contracts won during FY2015), which helped to offset weakness in the OSV business. These trends persisted during the most recent quarter (4QFY2015 revenue up 22.0% y/y to SGD147.4mn) with the shipyard segment contributing USD35.3mn increase in segment revenue y/y while the OSV segment drove declines of USD14.9mn. Ezra's order book remains healthy at USD2.0bn.

- **Margin Pressure**: Gross margin fell from 14.8% (4QFY2014) to 10.9% (4QFY2015). The shipyard business (using Triyards' numbers) saw gross margin compress from 27.1% to 21.7%, driven by the shift in product mix, while the OSV business (using EMAS Offshore's numbers) actually saw a gross loss during the quarter due to lower utilization of the fleet as well as pressure on lease rates. Pre-tax profit was supported by asset disposals; else it would have been comparable with 4QFY2014.

- **Rights Issue Strengthened Liquidity**: The SGD202.2mn rights issue executed late July has helped shore up Ezra's liquidity profile. Free cash flow was negative USD46.1mn during 4QFY2015, in part due to residual capex for the Lewek Constellation. Management expects free cash flow to improve to neutral in the end future. Due to weaker EBITDA (we exclude Other Income and JV / associates contributions) though, EBITDA / interest coverage has weakened distinctly from 2.8x (end-FY2014) to 1.5x (end-FY2015).

- **Stronger Credit Profile**: Net gearing has fallen sharply from 119% to 77% (in part driven by the EMAS AMC deconsolidation). As Ezra has already redeemed its SGD225mn in bonds and SGD150mn in perpetual securities in September, pro-forma end-FY2015 net gearing would become 92% (worsening as the perpetual securities were accounted as equity). Post these payments, Ezra would still have USD150mn in cash to meet its SGD95mn in bonds due in March 2016. Furthermore, Ezra would receive USD150mn from Chiyoda as payment for the JV (a further USD30mn will be infused directly into the JV).

- **Consent for Restructuring**: Ezra recently successfully completed the consent solicitation exercise to amend its covenants. We believe that the purpose was two-fold: to facilitate the formation of the Chiyoda JV, as well as to obtain some additional covenant headroom (with the relaxation of the interest coverage covenant) given the challenging environment (Ezra's revenue post the deconsolidation would be even more exposed to the stressed OSV chartering industry). In general though, we believe that the Chiyoda JV is beneficial for bondholders as it allows Ezra to unlock some of the value in its EMAS AMC division and generate additional liquidity. We will probably consider upgrading Ezra's Issuer Profile upon the execution of the JV.

Ezra Holdings Ltd

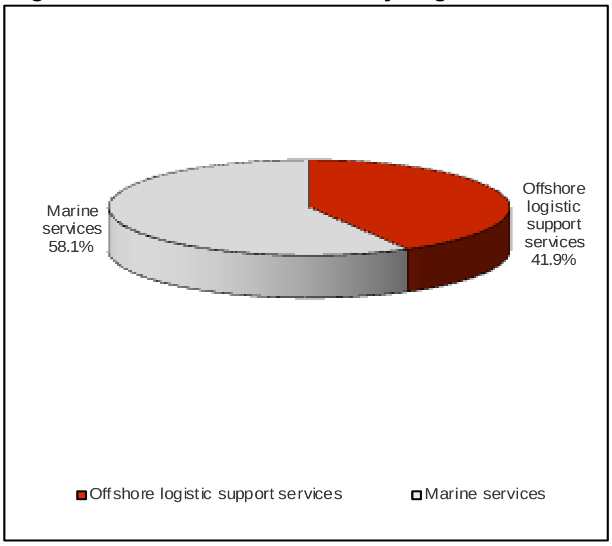
Table 1: Summary Financials

Year End 31st Aug	FY2013	FY2014	FY2015
Income Statement (USD'mn)			
Revenue	1,262.1	1,488.4	543.8
EBITDA	63.4	141.8	76.3
EBIT	3.5	69.6	7.0
Gross interest expense	49.8	51.3	52.3
Profit Before Tax	92.3	74.7	79.1
Net profit	53.6	45.3	43.7
Balance Sheet (USD'mn)			
Cash and bank deposits	173.1	178.9	417.8
Total assets	2,926.7	3,363.0	4,177.3
Gross debt	1,285.8	1,551.9	1,470.2
Net debt	1,112.8	1,373.0	1,052.3
Shareholders' equity	1,139.9	1,185.8	1,365.3
Total capitalization	2,425.8	2,737.7	2,835.5
Net capitalization	2,252.7	2,558.8	2,417.6
Cash Flow (USD'mn)			
Funds from operations (FFO)	113.5	117.4	113.0
CFO	7.3	140.1	188.7
Capex	248.8	327.4	320.5
Acquisitions	0.0	0.0	-25.2
Disposals	163.2	8.5	30.3
Dividend	5.3	5.4	0.0
Free Cash Flow (FCF)	-241.5	-187.3	-131.8
FCF adjusted	-83.6	-184.1	-76.3
Key Ratios			
EBITDA margin (%)	5.0	9.5	14.0
Net margin (%)	4.3	3.0	8.0
Gross debt to EBITDA (x)	20.3	10.9	19.3
Net debt to EBITDA (x)	17.6	9.7	13.8
Gross Debt to Equity (x)	1.13	1.31	1.08
Net Debt to Equity (x)	0.98	1.16	0.77
Gross debt/total capitalisation (%)	53.0	56.7	51.8
Net debt/net capitalisation (%)	49.4	53.7	43.5
Cash/current borrowings (x)	0.3	0.4	0.6
EBITDA/Total Interest (x)	1.3	2.8	1.5

Source: Company, OCBC estimates

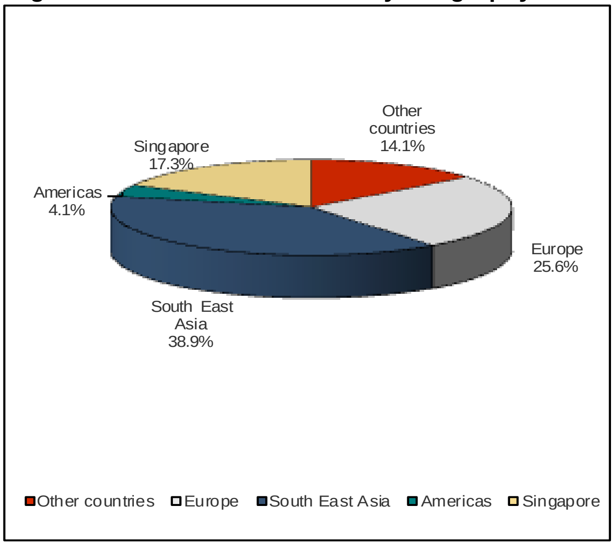
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2015



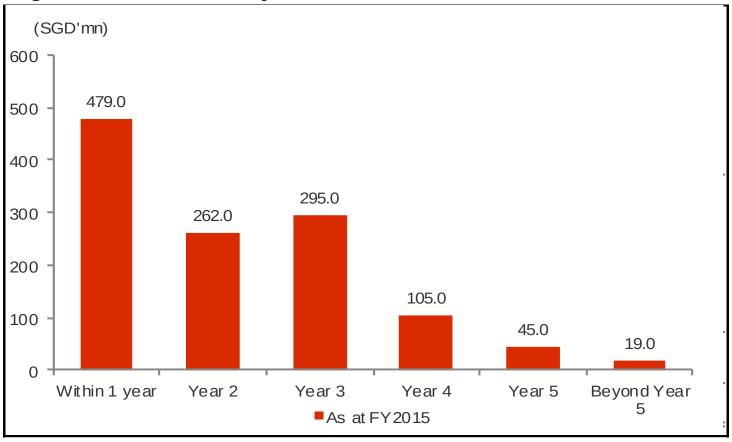
Source: Company

Figure 2: Revenue breakdown by Geography - FY2015



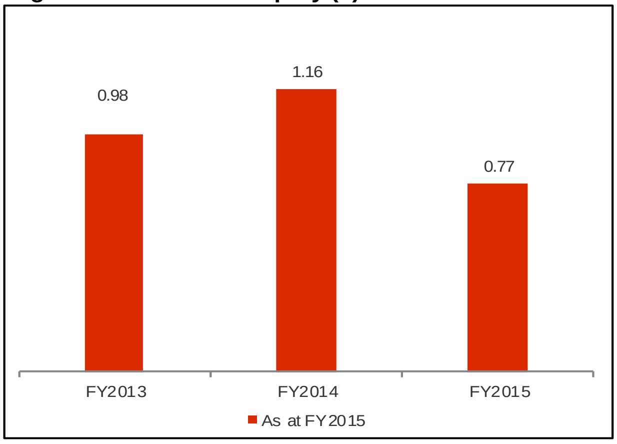
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

First Real Estate Investment Trust

Credit Outlook – We still like the FIRTSP'18 at ~210bps over swaps, considering FREIT's long portfolio lease expiry, which provides earnings stability and visibility. Meanwhile, interest rates exposure and foreign exchange risks for FREIT are limited.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **FIRTSP**

Company Profile

Listed on the SGX in December 2006, First REIT ("FREIT") invests primarily in real estate that is used for healthcare and healthcare-related industries, both in Singapore and Asia. It owns 17 properties across Indonesia, Singapore and South Korea, valued at about SGD1.17bn as at 31 Dec 14. The properties include 12 hospitals, 3 nursing homes, 1 integrated hotel & hospital, and 1 hotel & country club. PT Lippo Karawaci Tbk is FREIT's sponsor and largest shareholder with a 28% stake.

Key credit considerations

- **No surprises in 9M2015 results:** 9M2015 gross revenue increased by 8.2% y/y to SGD75.0mn on the back of higher contribution from existing Indonesia and Singapore properties, as well as the Siloam Sriwijaya, which was acquired in December 2014. However, property operating expenses grew at a faster rate of 11.4% y/y due to higher property tax and building audit fees. As a result, net property income ("NPI") rose at a slightly slower pace of 8.1% y/y to SGD73.9mn.

- **Muted base rental growth outlook:** The annual base rental escalation for FREIT's Indonesia properties is 2x the percentage increase of Singapore CPI, capped at 2.0% (with a floor of 0.0%). Given our CPI growth expectation of -0.4% y/y for 2015, we see limited rental upside for FREIT's NPI in the near term as 96.0% of the trust's healthcare assets are based in Indonesia. With that said, cost pressures remain low for FREIT as the current lease agreements are Triple-Net Leases (the master lessees will bear all operating costs relating to the properties). Meanwhile, the annual increments for FREIT's Singapore and Korea assets are fixed at 2.0%.

- **Looking for inorganic growth:** Meanwhile, FREIT is scouting for other yield-accretive acquisitions to boost its income given its proven track record (CAGR of ~20.1% in Assets under Management from 2007–2014). The trust's sponsor – PT Lippo Karawaci Tbk ("LPKR") has been supportive and LPKR is actively expanding its footprint in Indonesia with a strong pipeline of >40 hospitals. This indicates abundant acquisition opportunities for FREIT going forward including the acquisition of Siloam Hospitals Kupang and the previously announced asset swap with LPKR for a plot of land adjacent to the Siloam Hospitals Surabaya. Targeted to complete in 2019, the asset swap will enable FREIT to rejuvenate its property portfolio by divesting its oldest asset and acquiring a new hospital.

- **Opportunities for asset enhancement initiatives ("AEIs"):** The trust has identified three properties in Indonesia for potential AEIs over the next few years to optimize the values of existing properties. In October 2015, FREIT announced that it will embark on its first AEI in Indonesia with the Siloam Hospitals Surabaya. We believe that AEI plans for Siloam Hospitals Kebon Jeruk and Imperial Aryaduta Hotel & Country Club still remain on the cards in the future.

- **Long weighted average lease expiry:** FREIT's master leases have lease terms varying between 10-15 years, together with step up escalation, providing income stability and visibility to the trust. As at 30 Jun 15, the weighted average lease expiry for FREIT's portfolio is 10.8 years with 100% occupancy. ~30.8% of the trust's gross floor area has lease expiry profile of >10 years while the remainder has lease expiry profile of <10 years.

- **Low foreign exchange risks:** Foreign exchange risks are low for FREIT as lease agreements for its Indonesia and Singapore properties are denominated in SGD, while rental for the South Korea property is denominated in USD. However, the trust has a high tenant concentration risk as LPKR is the master lessee of most of its properties. In addition, LPKR also bears most of the foreign exchange risks given the weakening IDR over the years. With that said, this should be partly mitigated by the Indonesian government's initiative to boost healthcare and infrastructure going forward, which will continue to strengthen demand for healthcare services.

- **Steady balance sheet:** As at end-9M2015, FREIT's aggregate leverage (gross debt/total assets) and EBITDA/gross interest remained healthy at ~32.5% (2014: 32.7%) and 5.4x (2014: 4.8x), respectively. As such, we believe that FREIT should have enough financing options for its future acquisition pipelines including debt or equity. We view the potential move of the REIT to Indonesia as event risk.

First Real Estate Investment Trust

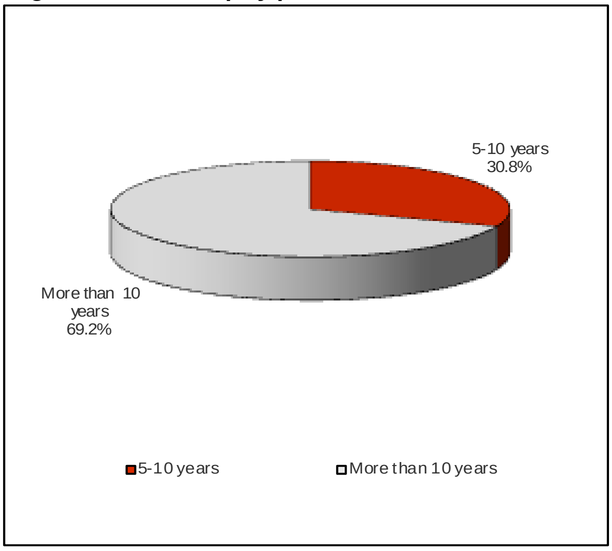
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	83.3	93.3	75.0
EBITDA	71.5	82.4	66.3
EBIT	70.2	80.5	65.3
Gross interest expense	13.6	17.1	12.2
Profit Before Tax	119.4	112.7	53.4
Net profit	117.8	90.6	41.7
Balance Sheet (SGD'mn)			
Cash and bank deposits	29.3	28.2	37.7
Total assets	1,108.5	1,212.4	1,226.2
Gross debt	353.8	396.6	398.1
Net debt	324.5	368.3	360.3
Shareholders' equity	682.9	745.0	763.1
Total capitalization	1,036.7	1,141.5	1,161.2
Net capitalization	1,007.4	1,113.3	1,123.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	119.1	92.4	42.7
CFO	63.2	80.8	54.8
Capex	0.0	0.0	0.0
Acquisitions	141.9	67.7	0.1
Disposals	0.0	0.0	0.0
Dividends	42.8	39.8	35.4
Free Cash Flow (FCF)	63.2	80.8	54.8
FCF adjusted	-121.5	-26.8	19.3
Key Ratios			
EBITDA margin (%)	85.8	88.3	88.3
Net margin (%)	141.5	97.2	55.5
Gross debt to EBITDA (x)	4.9	4.8	4.5
Net debt to EBITDA (x)	4.5	4.5	4.1
Gross Debt to Equity (x)	0.52	0.53	0.52
Net Debt to Equity (x)	0.48	0.49	0.47
Gross debt/total capitalisation (%)	34.1	34.7	34.3
Net debt/net capitalisation (%)	32.2	33.1	32.1
Cash/current borrowings (x)	NM	1.07	NM
EBITDA/Total Interest (x)	5.3	4.8	5.4

Source: Company, OCBC estimates

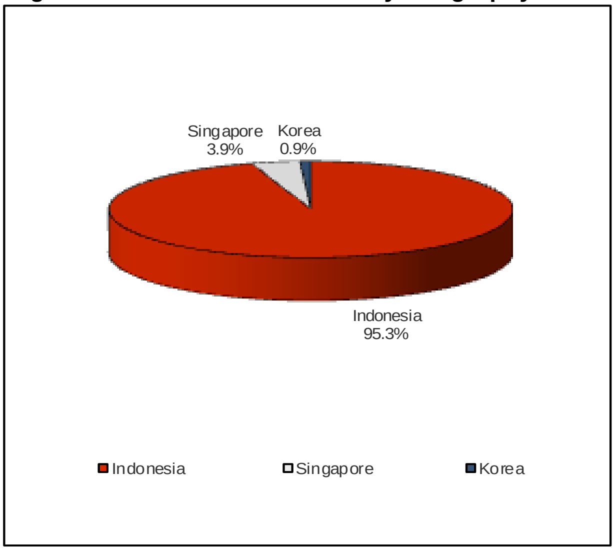
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Lease expiry profile as % of GFA - 9M2015



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



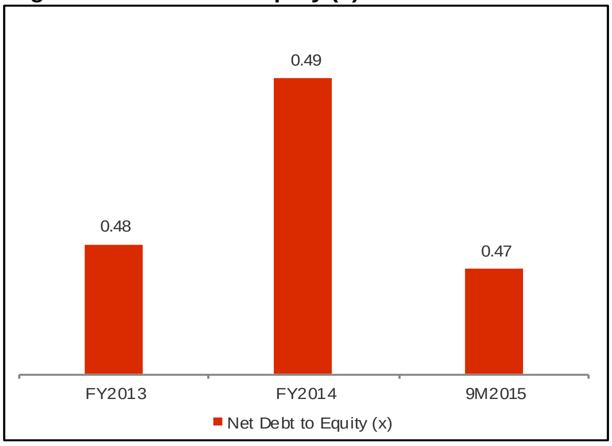
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
	26.5	6.6%
	26.5	**6.6%**
Amount repayable after a year		
Secured	275.5	68.5%
Unsecured	100.0	24.9%
	375.5	**93.4%**
Total	**402.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

First Sponsor Group Limited

Credit Outlook – The performance of FSG's property development business will be closely monitored given FSG's significant development plans and the potential weakness in the property financing business. Although we expect leverage to rise, FSG's established shareholders and solid management experience should mitigate execution concerns.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **FSGSP**

Company Profile

First Sponsor Group Limited (FSG) comprises three property focused business segments: property development, property holding and property financing. Operations are centred in China although FSG has recently acquired investment properties in the Netherlands to expand its property holding activities. FSG is 35.6% indirectly owned by the Hong Leong Group Singapore and 44.2% indirectly owned by Tai Tak Asia Properties Limited. Management are based in Singapore.

Key credit considerations

- **Business transition continues:** 3Q2015 revenue performance for FSG was solid across the board with revenue growth y/y in all business segments. Consolidated revenues grew 32% compared to 3Q2014 due largely to strong performance in the property development segment (21% y/y growth). This was driven by the handover of 3 residential blocks in Plot B of the Millennium Waterfront project. Consolidated revenues were also boosted by stronger y/y growth in revenues from property holding (better contribution from M Hotel Chengdu and contribution from recently acquired properties in the Netherlands) and property financing (larger entrusted loan book). Better performance in these higher margin segments translated into quarterly gross profit growing 48% y/y and overall gross margins improving to 37.5% from 33.3%.

- **Quarter on quarter a different tale?** Quarter on quarter performance shows a slightly different picture with q/q improvement almost entirely due to property development which grew around 205% compared to 2Q2015. While property development revenues can be lumpy, what's interesting to note is the relatively subdued performance in property financing where the third party loan balance as at 30 Sep 15 stayed flat at RMB996.0m q/q. This followed a fall in the third party loan balance from RMB1,101.0m as at 31 Mar 15. We previously flagged the internal and external structural challenges facing FSG's property financing business including the recent opening up of onshore bond markets to property firms and the reduction of banks' deposit reserve requirement ratios, which are expected to compete with entrusted loans given their better funding cost. This could be putting pressure on demand for FSG's property finance services, as well as potential margin pressure.

- **Property holding ambitions taking form:** FSG's recent acquisition of 16 office properties across the Netherlands provides additional diversification of cash flows, access to stable recurring income and redevelopment potential in 4 of the 16 properties. However we remain mindful of the company's substantial current development pipeline which is concentrated in Chengdu and the on-going need for liquidity to fund its developments in China. The reduced liquidity headroom increases the importance of the company's successful execution of its property developments. On balance, though we believe the transaction will be credit positive in the medium-long term.

- **Government's orientation to China's property sector remains supportive:** The Chinese government's orientation to the property sector and overall economic growth remains supportive in our view. The government's multiple interest rate cuts and reduction in the reserve requirement ratio are expected to positively impact demand for property given mortgage rates are highly correlated to PBOC lending rates. This should be positive for FSG's property development segment. We remain positive overall on China's property sector.

- **Sound financial metrics although weakening expected.** FSG's financial metrics have held sound given the strong business performance. This is reflected in the improved EBITDA margin from a transitioning business mix as well as FSG's historical mixed use of funding sources to fund its growth. Credit ratios have improved slightly with net debt to EBITDA improving to 2.6x for the last twelve months ended 30 Sep 2015 compared to 3.3x for the last twelve months ended 30 Jun 2015. We do not expect this trend to continue however given the significant scale of FSG's current development pipeline and expansion ambitions in property investments. FSG turned from being net cash to net debt in 1Q2015 and we expect net debt to continue to grow.

First Sponsor Group Limited

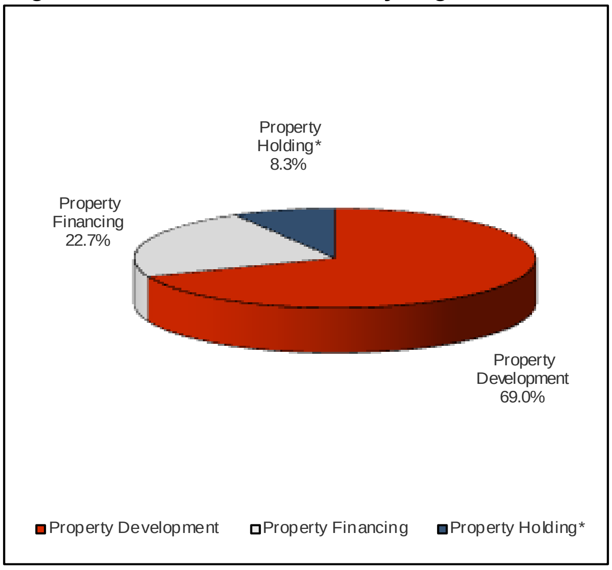
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (SGD'mn)			
Revenue	157.5	153.2	199.1
EBITDA	35.6	35.8	60.0
EBIT	59.5	40.5	80.3
Gross interest expense	0.0	-2.1	-3.8
Profit Before Tax	59.5	40.5	80.3
Net profit	47.6	21.7	55.3
Balance Sheet (SGD'mn)			
Cash and bank deposits	311.2	131.8	120.3
Total assets	955.7	1,293.0	1,651.5
Gross debt	0.0	83.0	275.8
Net debt	-311.2	-48.8	155.5
Shareholders' equity	455.9	894.5	982.1
Total capitalization	455.9	977.5	1,257.9
Net capitalization	144.7	845.7	1,137.6
Cash Flow (SGD'mn)			
Funds from operations (FFO)	49.5	23.1	56.4
CFO	131.5	-251.3	-64.1
Capex	23.8	33.0	116.0
Acquisitions	0.0	-0.2	-74.0
Disposals	51.1	14.9	1.3
Dividends	2.0	0.0	-4.5
Free Cash Flow (FCF)	107.7	-284.3	-180.1
* FCF Adjusted	156.7	-269.6	-257.3
Key Ratios			
EBITDA margin (%)	22.6	23.4	30.1
Net margin (%)	30.2	14.2	27.8
Gross debt to EBITDA (x)	0.0	2.3	4.6
Net debt to EBITDA (x)	NM	NM	2.6
Gross Debt to Equity (x)	0.00	0.09	0.28
Net Debt to Equity (x)	NM	NM	0.16
Gross debt/total capitalisation (%)	0.0	8.5	21.9
Net debt/net capitalisation (%)	NM	NM	13.7
Cash/current borrowings (x)	NM	NM	2.8
EBITDA/Total Interest (x)	NM	17.0	15.9

Source: Company, OCBC estimates

** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

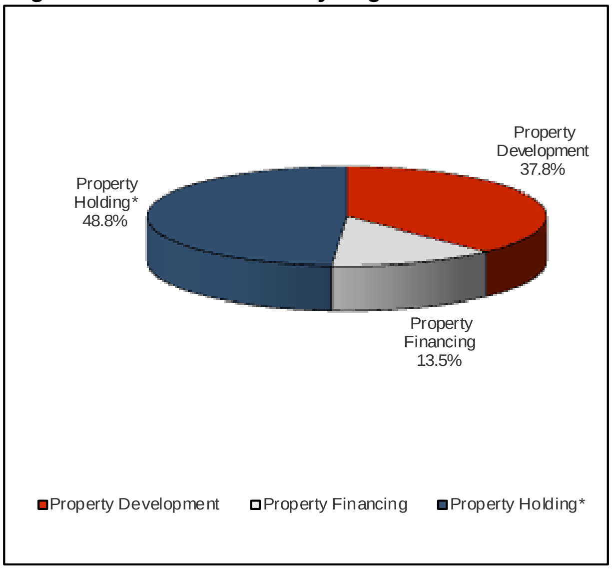
Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

** Property Holding includes Hotel Operations & Rental Income*

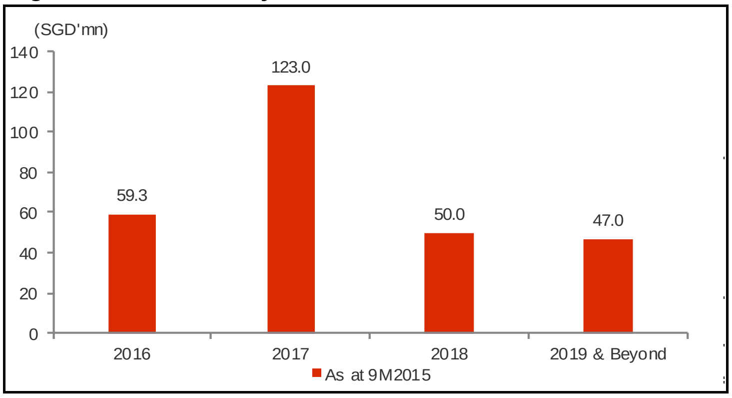
Figure 2: NPI breakdown by Segment - 9M2015



Source: Company

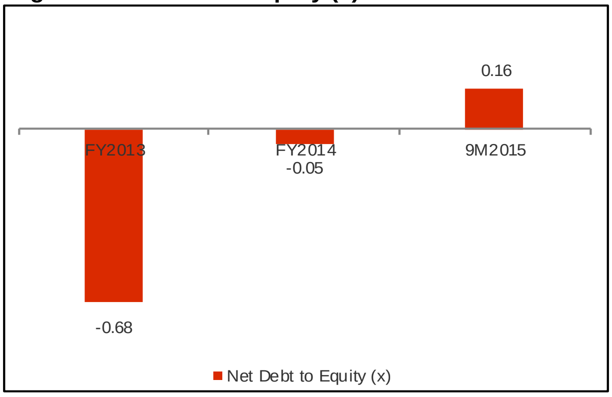
** Property Holding includes Hotel Operations & Rental Income*

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We continue to like the FCTSP'19 (66bps over swaps) and FCTSP'20 (68bps over swaps) as they are trading cheap relative to peers such as SGREIT, but the bonds are tightly held. FCT could be tapping capital markets soon given 2016 maturities.

Issuer Profile: Neutral

S&P: BBB+/Stable

Moody's: Baa1/Positive

Fitch: Not rated

Ticker: **FCTSP**

Company Profile

Listed on the SGX in July 2006, Frasers Centrepoint Trust ("FCT") is a pure-play suburban retail REIT in Singapore, sponsored by Frasers Centrepoint Ltd ("FCL", which holds a 41.4% interest in FCT). Since its IPO, FCT's portfolio value has grown to SGD2.46bn as at 30 Sep 15. Its portfolio comprises 6 suburban retail malls in Singapore - Causeway Point, Changi City Point, Northpoint, Bedok Point, Anchorpoint, and YewTee Point. FCT also owns a 31.2%-stake in Malaysia-listed Hektar REIT ("H-REIT", a retail focused REIT).

Frasers Centrepoint Trust

Key credit considerations

- **Resilient FY2015 (end-September) results:** FCT's gross revenue and net property income ("NPI") increased by 12.1% y/y and 11.0% y/y to SGD189.2mn and SGD131.9mn respectively, on the back of full-year contribution from Changi City Point (acquired in June 2014) and steady rental income growth. Looking forward, we expect growth to be more comparable with 4QFY2015 y/y levels of 1.7% and 1.2% for gross revenue and NPI respectively. The quarter saw the larger malls outperform the smaller malls in terms of gross revenue growth.

- **Favourable operating performance:** FCT's shopper traffic rose 8.2% y/y in 4QFY2015 while tenants' sales grew 2.1% y/y for the 3-month period ended August 2015 (3-month period ended May 2015: +2.2% y/y). In particular, Causeway Point and Northpoint registered double-digit shopper traffic increase and stronger growth than the other malls during the quarter. Furthermore, Causeway Point also registered the strongest tenants' sales growth among all the malls in the portfolio. For FY2015, the trust achieved an average rental reversion of 6.3% (FY2014: 6.5%). Although there was a negative rental reversion of 6.4% at Bedok Point, we are not overly concerned as Bedok Point only contributed ~3.8% of FCT's NPI in FY2015.

- **Fall in portfolio occupancy rate concentrated:** FCT's portfolio occupancy rate fell to 96.0% as at end-4QFY2015 from 98.9% as at end-4QFY2014, mainly due to ongoing tenant-remixing activities at Changi City Point (down 6.8 ppt LTM) and Bedok Point (down 14.0ppt LTM). Meanwhile, occupancy rates for other malls have remained relatively stable. Given that FCT expects occupancy levels for Changi City Point and Bedok Point to remain flattish in the near term, we believe portfolio occupancy rate for the trust should stabilize going forward.

- **Short weighted average lease expiry ("WALE"):** FCT's WALE is short at 1.54 years (by gross rent), with 29.9% and 35.2% of portfolio leases due for renewal in FY2016 and FY2017, respectively. On a positive note, ~56.4% of the net lettable area to be renewed in FY2016 is from Causeway Point and Northpoint (these assets are well located suburban malls that enjoy near monopoly positions in their respective neighbourhood. A risk could be Changi City Point (~27.2% of net lettable area for renewal in FY2016, contributed 12.5% of FY2015 NPI), which has not seen improvements in occupancy since end-FY2014.

- **Asset enhancement initiative ("AEI") for Northpoint:** FCT is planning to commence AEI for Northpoint in March 2016. Management stated that the focus of the AEI would be enhancing shopper experience, boosting tenant diversity and integration with FCL's upcoming Northpoint City retail components. Execution will be in phases over 18 months, with the mall to remain open during the period. Capex details for the AEI have not yet been disclosed.

- **Heavy refinancing in FY2016 but should be well-managed:** 38.7% (~SGD278mn) of FCT's total borrowings will mature in FY2016 (mainly the SGD264mn secured bank loan for Northpoint due July 2016) but we think refinancing risk should be limited given FCT's good access to capital and the trust's healthy aggregate leverage (gross debt/total assets), which improved to 28.2% as at end-FY2015 from end-FY2014's 29.3%. Furthermore, FCT's EBITDA/gross interest also improved to 6.0x (FY2014: 5.6x). The trust's all-in average cost of borrowings was lower at 2.4% (end-FY2014: 2.5%) and interest rate risk is prudently managed with ~75.0% of total debt either on fixed rates or hedged (via interest rate swaps).

Fraser Centrepoint Trust

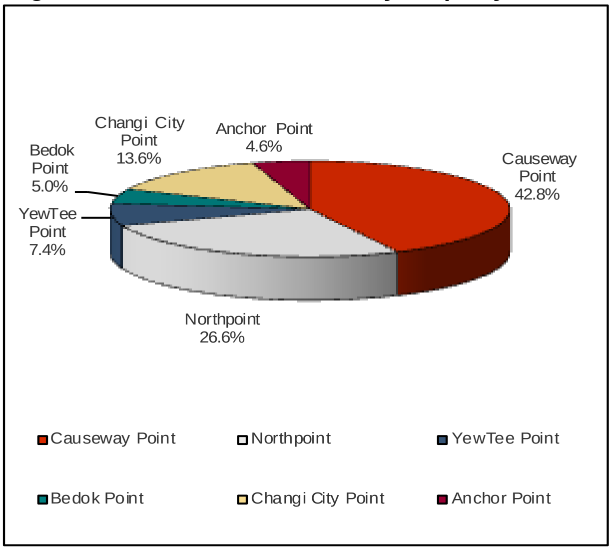
Table 1: Summary Financials

Year Ended 30th Sept	FY2013	FY2014	FY2015
Income Statement (SGD'mn)			
Revenue	158.0	168.8	189.2
EBITDA	98.5	103.5	115.4
EBIT	98.6	103.5	115.4
Gross interest expense	17.7	18.5	19.3
Profit Before Tax	287.8	165.1	171.5
Net profit	287.8	165.1	171.5
Balance Sheet (SGD'mn)			
Cash and bank deposits	39.7	41.7	16.2
Total assets	2,134.5	2,521.8	2,548.7
Gross debt	589.0	739.0	744.0
Net debt	549.3	697.3	727.8
Shareholders' equity	1,462.4	1,698.7	1,754.5
Total capitalization	2,051.4	2,437.7	2,498.5
Net capitalization	2,011.6	2,395.9	2,482.3
Cash Flow (SGD'mn)			
Funds from operations (FFO)	287.7	165.1	171.5
CFO	112.8	100.3	120.0
Capex	9.5	1.6	5.4
Acquisitions	0.0	298.7	0.0
Disposals	0.0	0.0	0.0
Dividends	87.8	94.5	105.7
Free Cash Flow (FCF)	103.2	98.7	114.6
FCF adjusted	15.4	-294.5	8.9
Key Ratios			
EBITDA margin (%)	62.4	61.4	61.0
Net margin (%)	182.2	97.8	90.6
Gross debt to EBITDA (x)	6.0	7.1	6.4
Net debt to EBITDA (x)	5.6	6.7	6.3
Gross Debt to Equity (x)	0.40	0.44	0.42
Net Debt to Equity (x)	0.38	0.41	0.41
Gross debt/total capitalisation (%)	28.7	30.3	29.8
Net debt/net capitalisation (%)	27.3	29.1	29.3
Cash/current borrowings (x)	0.66	0.44	0.06
EBITDA/Total Interest (x)	5.6	5.6	6.0

Source: Company, OCBC estimates

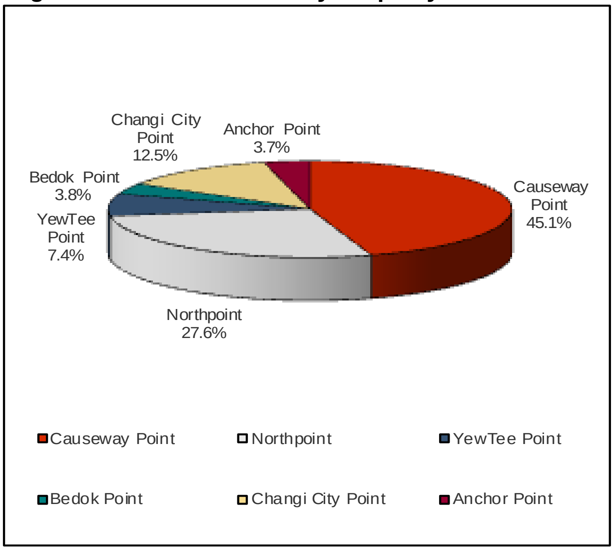
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Property - FY2015



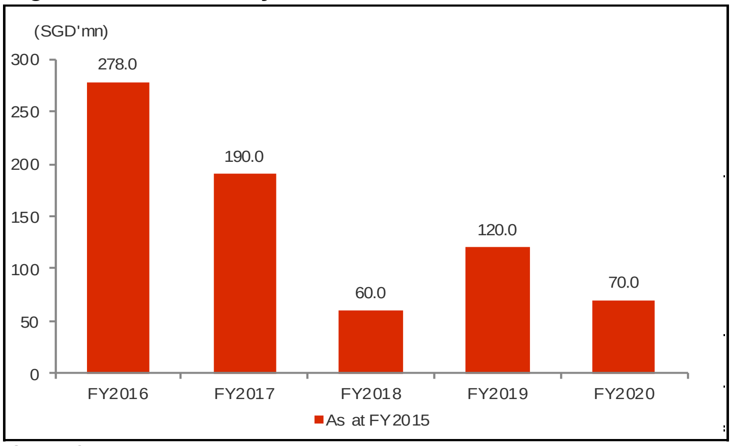
Source: Company

Figure 2: NPI breakdown by Property - FY2015



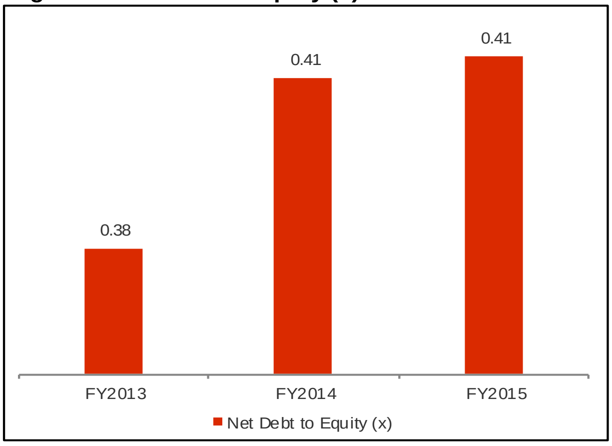
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook –

GALV's credit profile continues to be under pressure from constrained cash flows restricting its ability to improve leverage. That said, we remain neutral across the GALV curve as risks seem to be already priced in.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **GALVSP**

Company Profile

Gallant Venture Ltd ("GALV") is an Indonesia focused investment holding company headquartered in Singapore. The company is an integrated automotive group across Indonesia and master planner and service provider for industrial parks and resorts in Batam and Bintan. GALV is 70.56% owned by the Salim Group and 11.96% owned by Sembcorp Industries Ltd. The company was established in 1990 and is listed on the SGX.

Gallant Venture Ltd

Key credit considerations

- **Consolidated performance remains challenged.** Year to date performance continues to be impacted by weak macro conditions and sentiment, both in Indonesia and the region. Consolidated revenue for the 9 months to September 30, 2015 fell 9% y/y to SGD1,517mn due mostly to weaker performance in the automotive (lower revenue from vehicle sales and weaker heavy duty equipment business) and property development segments (significantly lower resorts land sales). Of note is the impact that the economic environment is having on the property development segment which has seen a significant drop in performance following a strong year in FY14. We suspect this is due to the discretionary nature of GALV's property developments in Bintan.

- **Weak Indonesian auto sales continue but some positives:** Indonesian Car sales remain soft. Gaikindo reported a 16.7% y/y fall in total car sales over the January-November period due to Ramadhan and additional public holidays in July as well as consumer's declining purchasing power from IDR depreciation, a weaker economy, and high inflation and interest rates. Manufacturing over capacity also impacted sector margins due to heavy discounting to clear older models although there's been some margin recovery through FY2015. To address lower vehicle deliveries and losses in the assembly business, GALV's automotive business PT Indomobil Sukses Internasional Tbk. ('IMAS') is seeking to leverage off of its integrated auto related businesses across auto supply management, marketing, servicing, financing, rental and transportation for logistic services. Benefits are already occurring with lower auto, truck and heavy duty equipment revenues somewhat cushioned by y/y growth in financial services, service and parts. IMAS also announced joint ventures in September 2015 with Japanese logistics and transportation company Seino Holdings Co., Ltd to provide logistics transportation, warehousing and support in Java. Nevertheless, the near term segment outlook remains bleak in our view despite favourable dynamics for auto and logistics demand, given automobiles, trucks, and heavy duty equipment sales still contribute over 70% of IMAS total revenues.

- **Credit pressure rising from declining operating cash flows and higher leverage:** Weaker top line performance in FY15 has been amplified by rising operating expenses due to manpower cost inflation, doubtful debt provisioning in the automotive segment and impairment provisions on foreclosed assets. Combined with higher finance costs (higher interest rates and IMAS-related debt), GALV's quarterly net loss doubled to SGD30.9mn for 3Q2015 leading to a YTD loss of SGD73.7mn. With cash flow generation constrained, GALV's leverage position has deteriorated further with net leverage increasing to 113%. Similarly, LTM net debt/EBITDA was 7.1x compared to 5.90x as of FY2014. Management intends to improve leverage but we think GALV's credit profile will remain under pressure with the challenging outlook for the company's main segments. This is notwithstanding lower capex requirements in 2016 of around SGD50mn, primarily for a power plant in Bintan.

- **Stretched liquidity:** GALV's cash balance of SGD211.4mn as of end-September 2015 was insufficient to cover SGD1,290.6mn of short term debt. That said, most of the short term debt is from trade finance lines from the automotive business which are rolled over regularly and self-liquidate with trade receivables. In addition the company has USD125mn in unutilized bank facilities as standby reserves and has pre-funded its estimated 2016 capex. GALV short term debt also includes a SGD175mn bond maturing in April 2016 which is expected to be part of the company's deleveraging plans. Nevertheless, given the company's higher leverage and weak liquidity position we re-rate GALV's issuer profile to **Negative** from neutral as we see elevated leverage persisting from operating challenges.

Gallant Venture Ltd

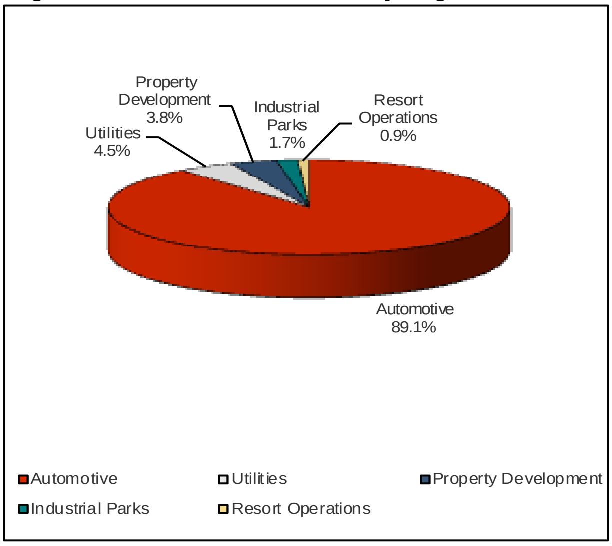
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	LTM
Income Statement (SGD'mn)			
Revenue	1,854.7	2,328.3	2,174.0
EBITDA	235.9	352.3	325.1
EBIT	141.7	229.5	205.3
Gross interest expense	75.2	131.6	145.0
Profit Before Tax	63.2	23.0	-10.3
Net profit	36.3	7.5	-34.0
Balance Sheet (SGD'mn)			
Cash and bank deposits	168.4	161.3	211.4
Total assets	4,836.5	5,025.8	5,112.3
Gross debt	2,127.3	2,240.2	2,526.8
Net debt	1,958.9	2,078.9	2,315.4
Shareholders' equity	2,148.9	2,185.1	2,050.9
Total capitalization	4,276.1	4,425.3	4,577.7
Net capitalization	4,107.8	4,264.0	4,366.3
Cash Flow (SGD'mn)			
Funds from operations (FFO)	130.6	130.4	85.9
CFO	-97.3	233.2	58.4
Capex	101.0	180.6	146.0
Acquisitions	956.8	27.2	28.0
Disposals	54.7	53.6	49.3
Dividend	3.6	1.6	0.8
Free Cash Flow (FCF)	-198.3	52.6	-87.6
FCF adjusted	-1,104.1	77.4	-67.1
Key Ratios			
EBITDA margin (%)	12.7	15.1	15.0
Net margin (%)	2.0	0.3	-1.6
Gross debt to EBITDA (x)	9.0	6.4	7.8
Net debt to EBITDA (x)	8.3	5.9	7.1
Gross Debt to Equity (x)	0.99	1.03	1.23
Net Debt to Equity (x)	0.9	1.0	1.1
Gross debt/total capitalisation (%)	49.7	50.6	55.2
Net debt/net capitalisation (%)	47.7	48.8	53.0
Cash/current borrowings (x)	0.2	0.2	0.2
EBITDA/Total Interest (x)	3.1	2.7	2.2

Source: Company, OCBC estimates

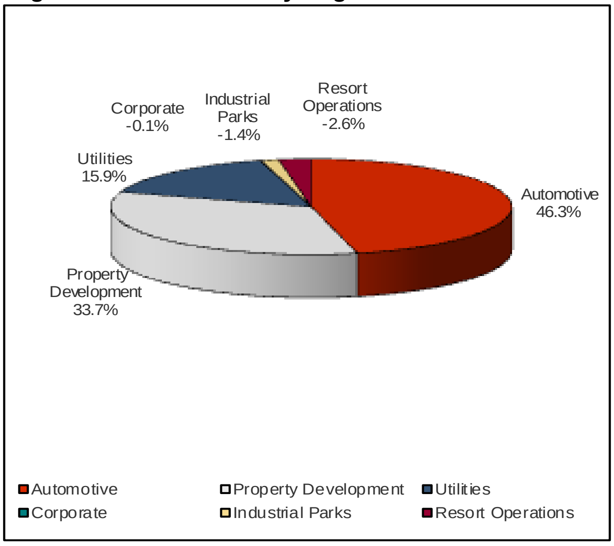
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2014



Source: Company

Figure 2: Gross Profit by Segment - FY2014



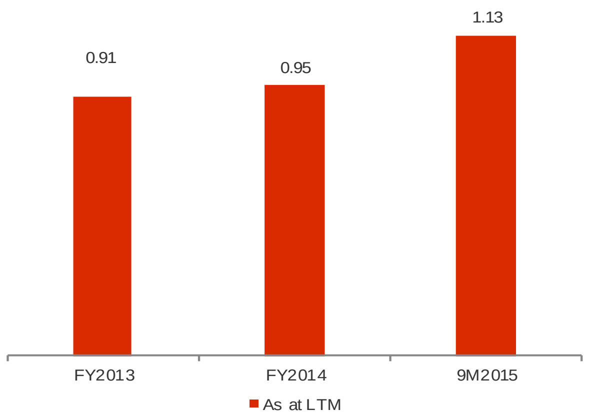
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	1181.0	46.7%
Unsecured	109.6	4.3%
	1290.6	**51.1%**
Amount repayable after a year		
Secured	410.6	16.2%
Unsecured	825.6	32.7%
	1236.2	**48.9%**
Total	**2526.8**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Genting Singapore Plc

Credit Outlook – Though GENS has recently traded lower on duration concerns and negative headlines over derivative losses and provisions, we believe their core business to remain intact, while acknowledging that 4Q2015 results may remain weak. That said, with a YTC and YTW of 6.4% and 5.49%, the GENSSP'49c17 continues to be attractive. We reiterate our Overweight rating.

Issuer Profile: Positive

S&P: Not rated

Moody's: Baa1/Stable

Fitch: A-/Stable

Ticker: **GENSSP**

Company Profile

Listed on the SGX in 2005, Genting Singapore Plc ("GENS") is involved in gaming and integrated resort development. Its principal asset is the 49ha flagship Resorts World Sentosa ("RWS"), comprising the Singapore Integrated Resort, with 6 hotels, a 15,000 sqm casino, Universal Studios Singapore ("USS") and Marine Life Park ("MLP"). RWS welcomed over 45mn visitors in its first three years of operation. GENS is 53.0% owned by the Malaysia-listed Genting Bhd.

Key credit considerations

- **Some recovery after the disastrous 2Q2015:** 3Q2015 saw revenue flattish at SGD66.1mn relative to 3Q2014, while it rallied 10.0% q/q. The q/q recovery was driven by the sharp increase in non-gaming revenue (up 23.1%) to SGD183.9mn while gaming revenue was up 5.5% to SGD451.8mn. Improvements to some attractions at RWS helped boost daily visitations up 17% y/y to 21,000 for the quarter. Hotel revenue was also aided by the full quarter contribution of Genting Hotel Jurong (which opened in the middle of 2Q2015), which we estimate contributes ~SGD9mn in revenue per quarter. One area of concern would be hotel occupancy, which fell from 95% (3Q2014) to 88% (3Q2015), reflecting overall softness in Singapore's hospitality sector. Though up q/q, gaming segment remains challenged, facing a decline of 5.6% y/y due to continued volume weakness in the premium gaming segment. Management has indicated that they plan to focus on premium mass and mass segments for gaming (competing head-to-head with Marina Bay Sands) while restructuring their VIP premium business (which has seen bad debt provisions due to credit extension). In aggregate, 9M2015 revenue was down 16.7% y/y to SGD1.85bn.

- **Provisions and investment losses persist:** Despite a de-emphasis on the VIP premium business since the beginning of 2015, provisions on the gaming receivables continue to mount with GENS taking a further SGD92.5mn in impairments during 3Q2015 (aggregate impairments were SGD225.3mn for 9M2015). Management has indicated that they continue to progressively manage their collections to reduce quarterly bad debt provisions heading into 2016. The provisions on receivables drove adjusted EBITDA 17.6% lower to SGD209.2mn for 3Q2015. The firm's portfolio investments have continued to be a drag, due to fair value loss of SGD61.4mn (and loss of SGD274.5mn YTD) as well as impairment / realized loss of SGD71.8mn. It should be noted that GENS has greatly reduced their portfolio investments from ~SGD1.5bn (end-2014) down to ~SGD467mn (end-3Q2015). These losses have pressured operating margin, which fell from 27.0% (end-3Q2014) to 18.0% (end-3Q2015). It should be noted that the quarter benefitted from FX gain of SGD108.7mn. Though 2015 has been a disappointment so far, with GENS de-emphasizing VIP premium as well as reducing its investment portfolio, GENS is better-positioned for 2016.

- **Future capex:** With the soft opening of the initial phase of the Jeju IR targeted for end-2017, we can expect spending to ramp up through 2016. The Jeju IR development was pencilled at USD1.8bn and held via a 50:50 JV. With the development in phases and reportedly partially financed by the sale of residential properties, capex needs are likely to be manageable. With the Japan casino bill failing to pass in 2015, we can expect any Japanese IR that GENS may bid for to unlikely to be ready before the Olympics in Tokyo in 2020, and hence there is no near-term need for investments. Despite revenue and earnings pressure, GENS continues to have strong liquidity, generating SGD761.2mn in free cash flow during 9M2015 and having interest coverage of 17.9x.

- **Strong credit profile maintained:** GENS ended 3Q2015 with a gross debt-to-EBITDA of 1.7x, slightly weaker than the 1.5x seen end-2014, due to earnings pressure. However, with SGD4.7bn in cash, GENS is able to retire both its SGD1.6bn in gross debt as well as SGD2.3bn in perpetual securities. In our view, the biggest risk to the issuer's credit profile would be any aggressive shareholder friendly actions (such as a huge dividend or stock repurchase) or strategic acquisitions to enter new markets.

Genting Singapore PLC

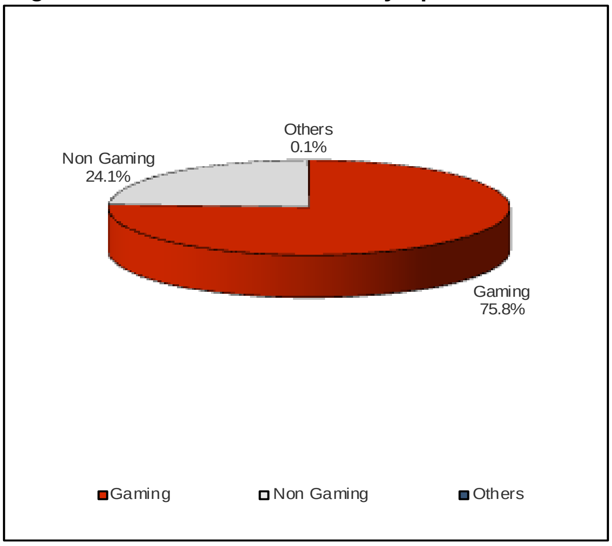
Table 1: Summary Financials

Year End 28th Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	2,847.3	2,862.5	1,853.5
EBITDA	1,086.2	1,120.9	717.0
EBIT	663.8	701.4	458.1
Gross interest expense	54.0	42.1	40.0
Profit Before Tax	845.5	804.8	251.0
Net profit	707.3	635.2	171.1
Balance Sheet (SGD'mn)			
Cash and bank deposits	3,761.4	3,836.8	4,679.1
Total assets	13,074.1	12,672.2	11,939.3
Gross debt	2,225.3	1,703.2	1,628.4
Net debt	-1,536.1	-2,133.5	-3,050.7
Shareholders' equity	9,647.2	9,703.3	9,449.4
Total capitalization	11,872.5	11,406.6	11,077.8
Net capitalization	8,111.1	7,569.8	6,398.7
Cash Flow (SGD'mn)			
Funds from operations (FFO)	1,129.7	1,054.7	430.0
CFO	777.9	922.6	920.9
Capex	448.8	195.1	159.7
Acquisitions	0.0	97.9	0.0
Disposals	70.1	1.1	0.7
Dividend	240.1	240.3	225.9
Free Cash Flow (FCF)	329.1	727.5	761.2
FCF adjusted	159.1	390.4	536.0
Key Ratios			
EBITDA margin (%)	38.1	39.2	38.7
Net margin (%)	24.8	22.2	9.2
Gross debt to EBITDA (x)	2.0	1.5	1.7
Net debt to EBITDA (x)	NM	NM	NM
Gross Debt to Equity (x)	0.23	0.18	0.17
Net Debt to Equity (x)	NM	NM	NM
Gross debt/total capitalisation (%)	18.7	14.9	14.7
Net debt/net capitalisation (%)	NM	NM	NM
Cash/current borrowings (x)	7.2	7.4	28.1
EBITDA/Total Interest (x)	20.1	26.6	17.9

Source: Company, OCBC estimates

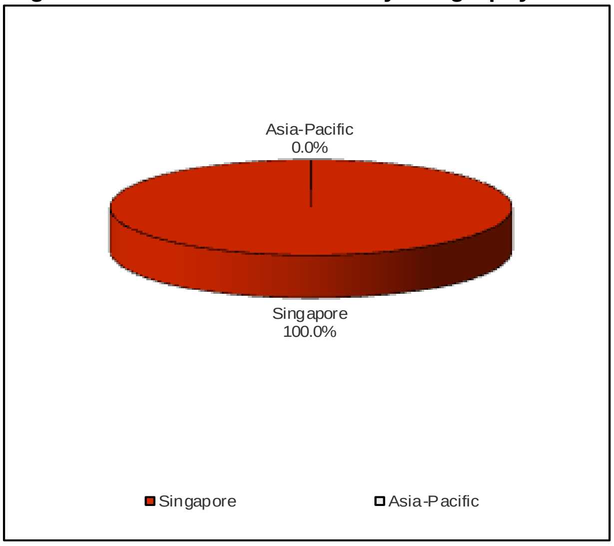
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Operation - 9M2015



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



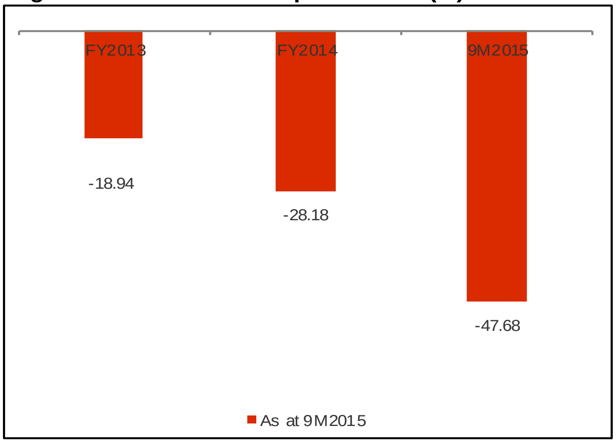
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
	166.4	10.2%
	166.4	**10.2%**
Amount repayable after a year		
	1461.9	89.8%
	1461.9	**89.8%**
Total	**1628.3**	**100.0%**

Source: Company

Figure 4: Net debt/net capitalisation (%)



Source: Company, OCBC estimates

Credit Outlook – GGR's credit profile remains pressured by weak CPO prices. Although prices could improve during El Nino, GGR's ability to benefit remains in question. With that said, the GGR curve now looks fairly valued with CPO prices having recovered since mid-2015 and we re-rate the curve to neutral.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **GGRSP**

Company Profile

Golden Agri-Resources Ltd ("GGR") is the world's second largest palm oil company with 484,221 ha of palm oil plantations in Indonesia. The company's integrated operations include oil palm cultivation, crude palm oil ("CPO") and palm kernel processing and downstream refining to produce consumer products such as cooking oil, margarine and shortening. The company is 50.35% owned by the Widjaja Family and is listed on the SGX.

Golden Agri-Resources Ltd

Key credit considerations

- **Weak YTD2015 results:** YTD performance continues to be impacted primarily by weaker CPO prices that combined with marginally lower upstream production volumes and yields to overshadow a margin recovery in the downstream segment. Reported revenues and EBITDA in the upstream segment were down 23% and 30% respectively for the 9 months to 30 Sep 15 as the already weak CPO prices for the year plunged to MYR1,800 during 3Q2015. Although YTD CPO prices also impacted the downstream segment with revenues falling around 11%, YTD downstream EBITDA turned positive on better business conditions and contributed some way to improved consolidated EBITDA margins, which were also positively influenced by lower fertilizer costs. Nevertheless, the CPO price overhang and still high contribution of upstream to consolidated cash flows (77% of total YTD EBITDA) translated to YTD consolidated revenues and EBITDA being down 14% and 7% y/y respectively. While recovery in the downstream segment is a positive, downstream margins are still thin and will likely be volatile given intense downstream competition and overcapacity. For this reason, GGR is reviewing its business model and strategy for its China oilseed business.

- **CPO prices have rallied but how much more will it go?** While part of the CPO price recovery to around the MYR2,100 handle is likely technical and reflecting the over-selling of CPO positions in September, the other more fundamental aspect driving the recovery is the expectation that adverse weather conditions from El Nino (followed by La Nina) will reduce CPO supply in 2016 and boost prices. The reduced supply along with increased CPO demand in Indonesia from the government's biodiesel mandate to increase blending further to 20% in 2016 (after increasing the blending mandate to 15% from 10% in 2015) is expected to put upward pressure on CPO prices in the next 12 months. How much further prices recover though depends on downside pressures from (1) the current over-supply and low forecast prices of competing soybean oil, (2) historically elevated CPO inventory levels and (3) low demand from the key export markets of China and Europe. Overall we expect CPO prices to rally gradually in 2016 to our year-end forecast of MYR2,650 with upside risk given our expectation that the likely severity of weather patterns will mitigate downside price concerns.

- **Stronger prices may not impact credit profile:** The expected gradual rally in CPO prices and the completion of GGR's refining capacity expansion are expected to positively influence GGR's operating cash flows in 2016. However the extent of the cash flow benefit will hinge on GGR's ability to expand its planted area to minimise the likely fall in production from El Nino as well as the possible on-going suspension of partnerships with suppliers who are involved in deforestation. YTD planted area has increased by 11,051 ha, with land preparations for new plantings impacted by the Roundtable on Sustainable Palm Oil complaint. This could partially constrain any benefit to the credit profile from improved cash flows and lower capex in 2016 with most of GGR's projects completed aside from two biodiesel plants with a total investment of USD150mn.

- **Liquidity shortfall remains high.** GGR's liquidity shortfall remains high with cash/current borrowings estimated to have weakened to 0.22x from 0.35x as at 30 Sep 15 following the convertible bond redemption. We take comfort from management's ability to manage its liquidity in 2015 despite challenging industry conditions. We also note that the bulk of GGR's short-term debt is in the form of trade finance lines which are regularly rolled over and self-liquidate with trade receivables and inventories. GGR also has unutilized working capital lines to meet further liquidity shortfalls. Nevertheless, GGR's liquidity shortfall supports the **Negative** issuer profile in our view for the time being.

Golden Agri-Resources Ltd

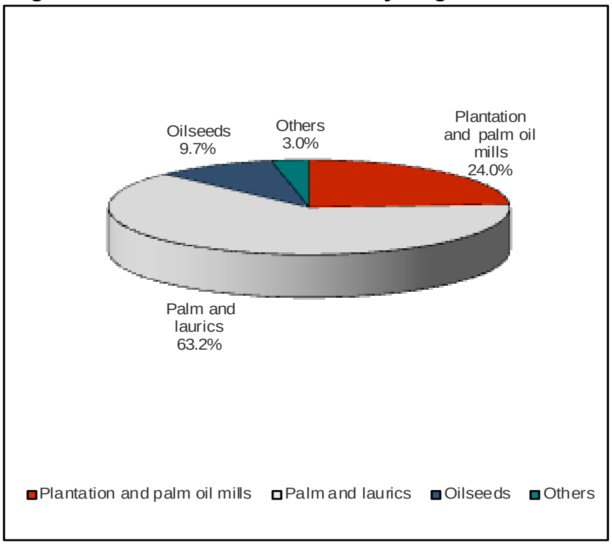
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	LTM
Income Statement (USD'mn)			
Revenue	6,585.0	7,619.3	6,780.6
EBITDA	625.5	503.3	482.6
EBIT	491.6	354.6	318.9
Gross interest expense	106.1	123.5	132.2
Profit Before Tax	430.0	158.0	45.7
Net profit	311.3	113.6	49.7
Balance Sheet (USD'mn)			
Cash and bank deposits	327.5	329.6	583.7
Total assets	14,148.2	14,666.6	15,152.0
Gross debt	2,580.8	3,068.3	3,332.9
Net debt	2,253.3	2,738.7	2,749.1
Shareholders' equity	8,803.4	8,818.3	8,833.5
Total capitalization	11,384.1	11,886.6	12,166.4
Net capitalization	11,056.6	11,557.1	11,582.7
Cash Flow (USD'mn)			
Funds from operations (FFO)	445.2	262.3	213.4
CFO	99.3	446.4	764.2
Capex	518.9	457.7	488.9
Acquisitions	4.5	56.4	-24.3
Disposals	11.4	21.0	6.9
Dividend	131.0	53.5	110.8
Free Cash Flow (FCF)	-419.6	-11.3	275.4
FCF adjusted	-543.7	-100.2	195.7
Key Ratios			
EBITDA margin (%)	9.5	6.6	7.1
Net margin (%)	4.7	1.5	0.7
Gross debt to EBITDA (x)	4.1	6.1	6.9
Net debt to EBITDA (x)	3.6	5.4	5.7
Gross Debt to Equity (x)	0.29	0.35	0.38
Net Debt to Equity (x)	0.3	0.3	0.3
Gross debt/total capitalisation (%)	22.7	25.8	27.4
Net debt/net capitalisation (%)	20.4	23.7	23.7
Cash/current borrowings (x)	0.3	0.2	0.3
EBITDA/Total Interest (x)	5.9	4.1	3.6

Source: Company, OCBC estimates

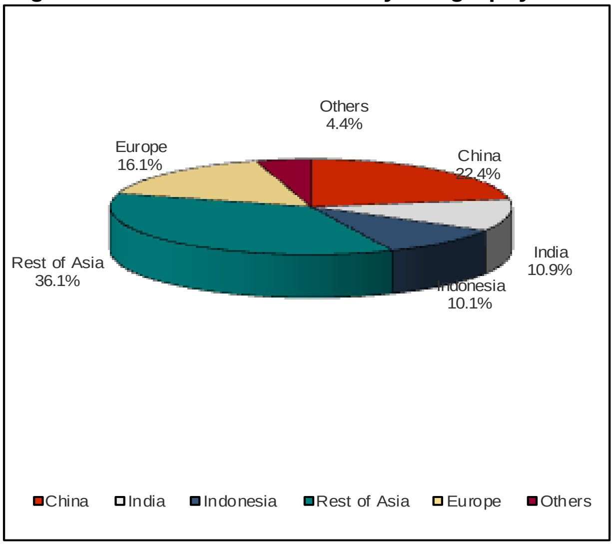
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - LTM



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



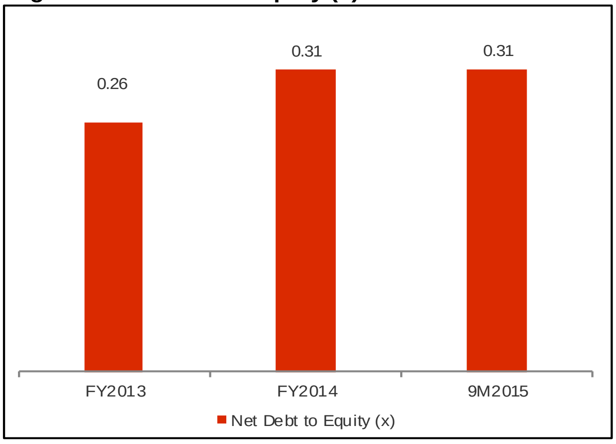
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (USD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	1102.0	33.1%
Unsecured	567.4	17.0%
	1669.4	**50.1%**
Amount repayable after a year		
Secured	503.1	15.1%
Unsecured	1160.6	34.8%
	1663.7	**49.9%**
Total	**3333.1**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We are impressed by GLL's ability to improve its credit metrics through capital recycling. We continue to prefer shorter dated papers in the GUOLSP complex such as GUOLSP 3.40% '18 and GUOLSP 3.60% '17, which are relatively attractive despite tightening to 144bps and 136bps over swaps, respectively.

Issuer Profile: Positive

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **GUOLSP**

Company Profile
Listed on the SGX in 1978, GuocoLand Ltd ("GLL") is a property developer headquartered in Singapore, with investments in residential properties, commercial properties and integrated developments. The group's properties are located in Singapore, China, Malaysia and Vietnam. GLL is a 65.0%-owned subsidiary of Guoco Group, which is listed on the HKSE and is in turn, a member of the Hong Leong Group, one of the largest conglomerates in South East Asia.

GuocoLand Ltd

Key credit considerations

- **Significant growth in earnings due to disposal gain:** 1QFY2016 (end-September) net profit surged to SGD550.5mn from SGD27.0mn in 1QFY2015, mainly due to a gain of SGD580.3mn from the disposal of an integrated mixed-use development ("Dongzhimen project") in China. Meanwhile, gross profit rose 115.2% y/y to SGD143.8mn on the back of higher sales from Leedon Residence in Singapore and profit recognition of the sale of an office block in Shanghai Guoson Centre. In addition, GLL's gross margin also increased to 32.7% from 29.9% in 1QFY2015.

- **Property cooling measures in Singapore to stay:** Singapore has been firm on keeping the property cooling measures in place. As such, private residential market will likely remain muted in 2016 with management acknowledging the challenging operating environment. Meanwhile, economic uncertainties in Malaysia have also affected the overall property market sentiment. China is a silver lining with the property market recovering on policy easing measures. In view of the difficult outlook, GLL will remain focused on the sales and leasing of its current projects. The group plans to launch two upmarket residential developments in FY2016, namely Changfeng Residence in Shanghai, China and the Alam Damai in Cheras, Malaysia.

- **Disposal of Dongzhimen project credit positive:** GLL's credit profile was pressured by the on-going development of several large scale integrated projects for the past few years. In August 2015, GLL sold its entire stake in the Dongzhimen project in Beijing for ~SGD2.3bn. The net proceeds from the disposal will be used for general working capital, including repayment of debts of the group. This has freed up financial resources for the group to focus on other integrated projects such as the Tanjong Pagar Centre ("TPC"), which has hefty development costs of ~SGD3.2bn. TPC comprises office, retail, hotel and residential spaces and will become Singapore's tallest building (~290 metres) upon completion in mid-2016. The commercial and retail space at TPC was launched in February 2015 while some residential units were sold at SGD3,100 per sqft. Not much information was provided on leasing progress for office space, however leasing environment could be challenging with 3.2mn sqft of office space including DUO and Marina One is coming online in 2016.

- **Improvement in credit profile from Dongzhimen project disposal:** As at end-1QFY2016, GLL's net gearing improved significantly to 58.7% from 140.1% (as at end-FY2015), following the disposal of Dongzhimen project. In addition, net debt/EBITDA also fell to 4.7x from 15.4x (as at end-FY2015). More than 30% of the group's total debt is hedged as at end-FY2015.

- **Sufficient liquidity for future growth:** GLL's end-1QFY2016 cash position of SGD2.0bn was able to cover short term debt of SGD529.9mn by 3.8x. This comes in handy as GLL also has other on-going mixed-use developments in Malaysia (Damansara City, to be completed in FY2016) and China (Shanghai Guoson Centre, construction of the final phase of retail and office space is being finalized). In the longer term, management expects integrated developments to increase the group's recurring income and improve its balance sheet. Furthermore, GLL also aims to realize the capital value of its projects when opportunities arise.

Guocoland Limited

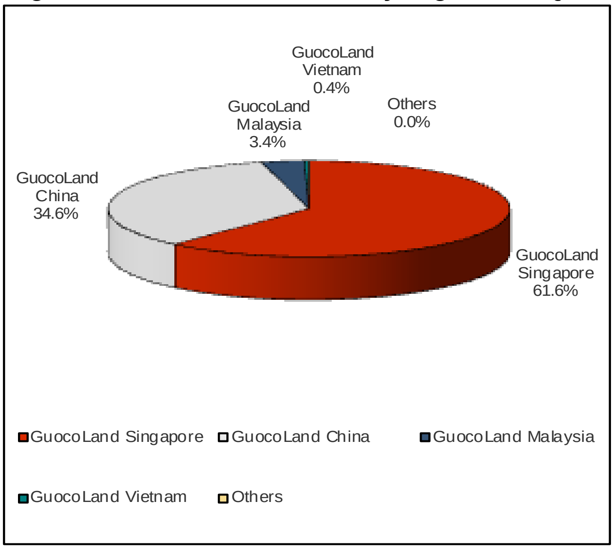
Table 1: Summary Financials

Year Ended 30th Jun	FY2014	FY2015	1Q2016
Income Statement (SGD'mn)			
Revenue	1,251.4	1,159.9	439.8
EBITDA	242.3	299.4	115.1
EBIT	233.9	290.4	113.2
Gross interest expense	184.6	64.6	19.0
Profit Before Tax	410.0	318.7	687.7
Net profit	304.2	226.4	550.5
Balance Sheet (SGD'mn)			
Cash and bank deposits	716.0	663.1	2,033.2
Total assets	8,719.5	9,511.8	8,874.1
Gross debt	5,066.8	5,280.0	4,213.1
Net debt	4,350.8	4,616.9	2,179.9
Shareholders' equity	2,973.5	3,296.2	3,716.6
Total capitalization	8,040.3	8,576.3	7,929.6
Net capitalization	7,324.3	7,913.2	5,896.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	312.7	235.4	552.3
CFO	157.3	96.9	365.9
Capex	89.3	231.5	60.6
Acquisitions	0.0	11.6	23.0
Disposals	255.2	20.7	2,142.5
Dividend	56.7	66.6	0.0
Free Cash Flow (FCF)	68.0	-134.6	305.3
FCF Adjusted	266.4	-192.0	2,424.8
Key Ratios			
EBITDA margin (%)	19.4	25.8	26.2
Net margin (%)	24.3	19.5	125.2
Gross debt to EBITDA (x)	20.9	17.6	9.2
Net debt to EBITDA (x)	18.0	15.4	4.7
Gross Debt to Equity (x)	1.70	1.60	1.13
Net Debt to Equity (x)	1.46	1.40	0.59
Gross debt/total capitalisation (%)	63.0	61.6	53.1
Net debt/net capitalisation (%)	59.4	58.3	37.0
Cash/current borrowings (x)	0.31	0.41	3.84
EBITDA/gross interest (x)	2.8	4.6	6.0

Source: Company, OCBC estimates

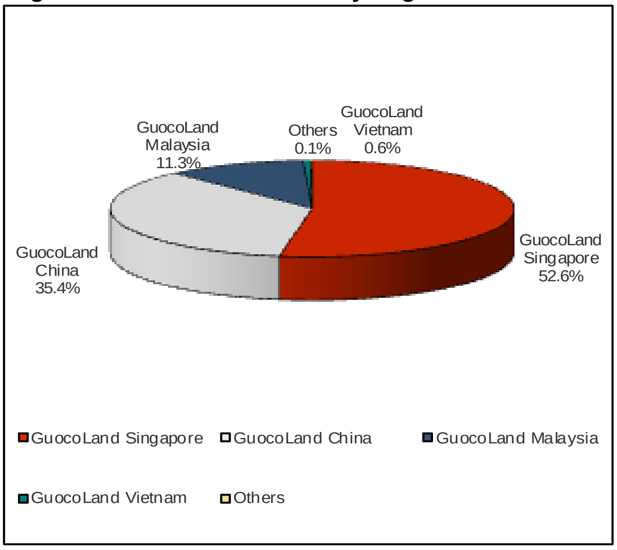
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1Q2016



Source: Company

Figure 2: Asset breakdown by Segment - FY2015



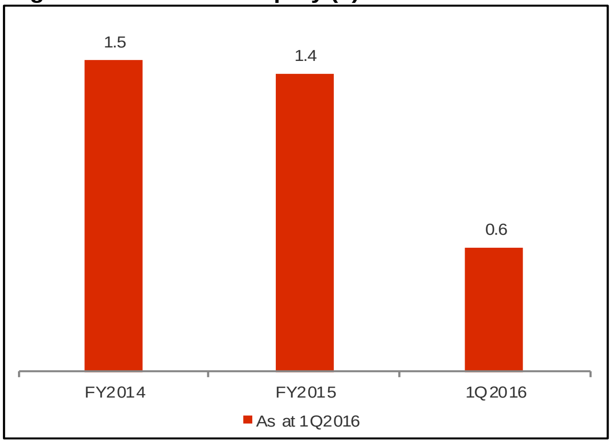
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	77.2	1.8%
Unsecured	452.8	10.7%
	529.9	**12.6%**
Amount repayable after a year		
Secured	2442.0	58.0%
Unsecured	1241.1	29.5%
	3683.2	**87.4%**
Total	**4213.1**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Henderson Land Development Co Ltd

Credit Outlook – HLD's credit profile continues to improve. That said, the HENLND looks fairly valued and remains near the tight range of its historical averages with the HENLND'18 at 53bps over swaps.

Issuer Profile: Positive

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **HENLND**

Company Profile

Henderson Land Development Co Ltd ("HLD") is a leading property developer with businesses in Hong Kong and China. It also holds strategic stakes in Henderson Investment Ltd and three listed associates, including The Hong Kong and China Gas Company Ltd ("HKCGC") which owns listed subsidiary, Towngas China Company Ltd, Hong Kong Ferry (Holdings) Company Ltd, Miramar Hotel and Investment Company Ltd, 68.4%-owned by its Chairman, Dr. Lee Shau Kee, HLD is one of the largest conglomerates in Hong Kong.

Key credit considerations

- **Strong 1H2015 results anchored by property leasing:** Henderson Land Development Co. Ltd's ("HLD") revenue was up 28.6% y/y to HKD11.02bn on continued growth in property leasing (+14% to HKD2.76bn) and strength in property development (+62% y/y to HKD7.18bn), mainly in China where revenue was up 190% y/y. EBITDA increased 54% y/y to HKD3.72bn. Overall, strength in HLD's core property development and leasing businesses more than offset weakness in the company's consolidated hotel operations and other business.

- **Recurrent cash flows from investment property portfolio and associates:** HLD generates recurring income of ~HKD4bn (1H2015:2.06bn) from its investment properties consolidated on its balance sheet. The company's portfolio (including attributable GFA from JVs and associates) spans 9mn sqft in Hong Kong and 7.3mn sqft in China. This comprises mainly offices and shopping mall assets. HLD's Hong Kong portfolio was 98% occupied while there was strong growth in China leasing (+20% y/y to HKD651mn) due to the newly opened Henderson 688 in Shanghai. This is in addition to fairly stable dividend cash flow of ~HKD3bn from its associates and joint ventures of which more than half was contributed by its 41.5%-owned utilities associate Hong Kong & China Gas.

- **Large reserves of China and New Territories land in Hong Kong for future development:** HLD has multiple channels to replenish its landbank in Hong Kong. Apart from public tenders, HLD has made good progress on its urban redevelopment projects (where the company consolidates ownership of old tenement buildings for redevelopment) and land-use conversion of New Territories land. HLD currently has 45 urban redevelopment projects with over 80% ownership consolidated with attributable GFA of 3.6mn sqft expected to be saleable in 2016 and beyond. On aggregate, HLD has 24.3mn sqft of landbank in Hong Kong, 44.5mn sqft in New Territories, and 122.1mn sqft in China. Although the turnaround is longer for urban redevelopment and land-use conversion projects, HLD has the option of not bidding for land at high prices to replenish land bank.

- **Improving credit profile as company continues to deleverage:** Net gearing improved to 12.6% from 15.4% in 2014 as the company paid down HKD6.11bn of debt while equity was boosted by net income which included HKD4.56bn of revaluation gains. LTM net debt/EBITDA improved to 4.23x from 6.10x on improvements in EBITDA generation while EBITDA interest coverage similarly improved to 4.0x from 3.1x. Cash flows from joint ventures and associates such as HK and China Gas, Miramar Hotels and HK Ferry are not included in these calculations. Dividends received from associates and joint ventures was HKD3.6bn in the last twelve months and LTM net debt/EBITDA and LTM EBITDA interest coverage adjusted for this would be 2.85x and 5.97x, respectively.

- **Adequate liquidity:** Cash balance of HKD10.02bn was sufficient to cover short term debt of HKD7.74bn. We also note that HLD has recurring cash flow generation from operations (HKD3.5bn in 2014) and banking facilities in place to meet the shortfall. In addition, HLD enjoys strong lending relationships with banks as well as good capital markets access. The company signed a HKD18bn 5-year term syndicated loan from 22 different banks on 30 March 15. The facility was upsized from HKD6bn after more offers were received than initially sought.

Henderson Land Development Co Ltd

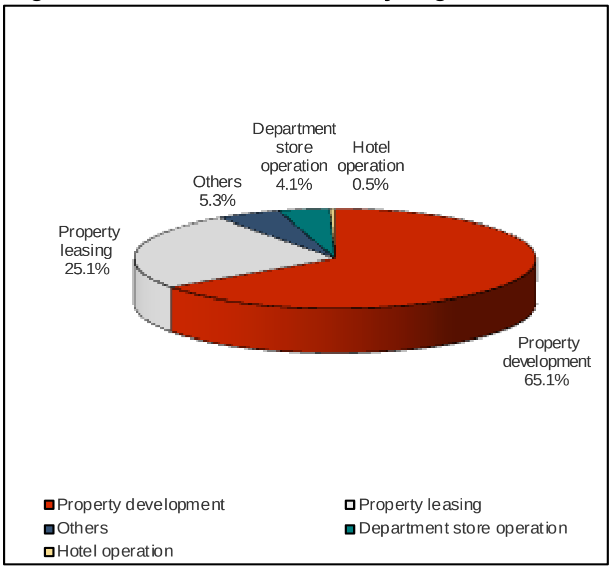
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (HKD'mn)			
Revenue	23,289	23,371	25,821
EBITDA	5,792	6,167	7,477
EBIT	5,595	5,991	7,314
Gross interest expense	2,179	2,021	1,858
Profit Before Tax	17,795	18,473	19,379
Net profit	15,948	16,752	17,138
Balance Sheet (HKD'mn)			
Cash and bank deposits	13,915	10,303	10,022
Total assets	304,114	316,980	325,257
Gross debt	52,259	47,723	41,613
Net debt	38,344	37,420	31,591
Shareholders' equity	228,000	243,217	250,986
Total capitalization	280,259	290,940	292,599
Net capitalization	266,344	280,637	282,577
Cash Flow (HKD'mn)			
Funds from operations (FFO)	16,145	16,928	17,301
CFO	-1,350	3,552	6,006
Capex	507	5,233	5,162
Acquisitions	3,291	80	80
Disposals	1,452	2,043	2,043
Dividends	697	2,297	2,297
Free Cash Flow (FCF)	-1,857	-1,681	844
* FCF Adjusted	-4,393	-2,015	510
Key Ratios			
EBITDA margin (%)	24.9	26.4	29.0
Net margin (%)	68.5	71.7	66.4
Gross debt to EBITDA (x)	9.0	7.7	5.6
Net debt to EBITDA (x)	6.6	6.1	4.2
Gross Debt to Equity (x)	0.23	0.20	0.17
Net Debt to Equity (x)	0.17	0.15	0.13
Gross debt/total capitalisation (%)	18.6	16.4	14.2
Net debt/net capitalisation (%)	14.4	13.3	11.2
Cash/current borrowings (x)	1.6	0.7	1.3
EBITDA/Total Interest (x)	2.7	3.1	4.0

Source: Company, OCBC estimates

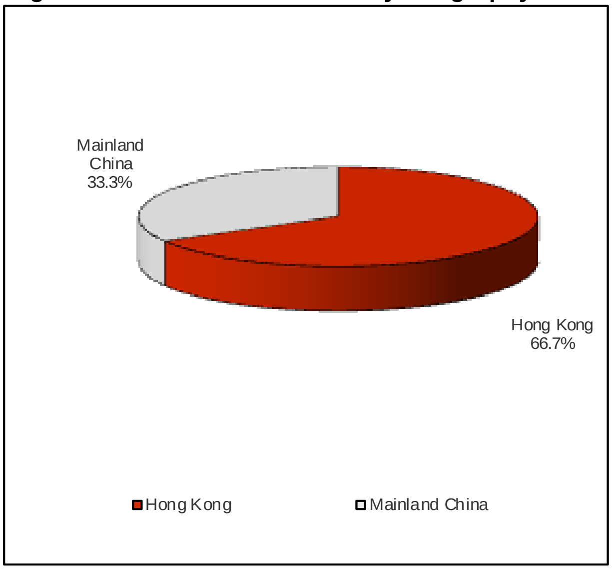
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



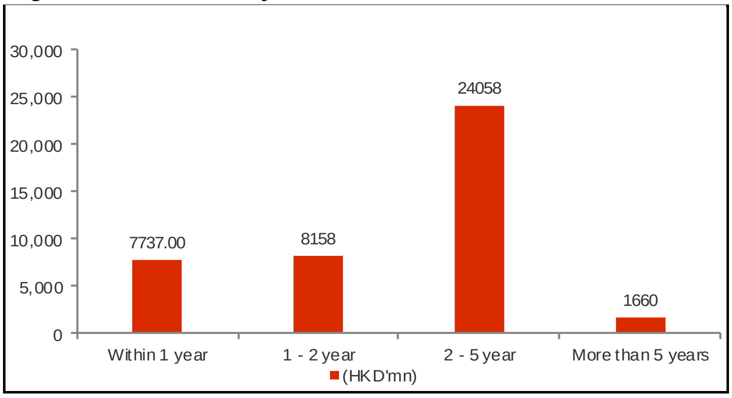
Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



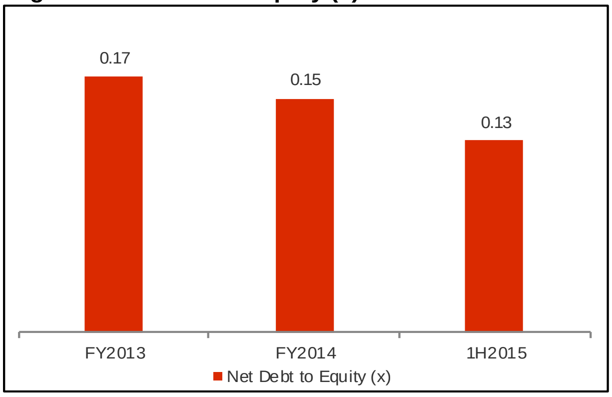
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Although HFC's net gearing remains manageable with adequate liquidity, earnings ability is weak. We also see increased risk of supply given the MTN limit increase in 2014. We recommend taking profit on the 18s which are trading at historical tights (177bps over swaps).

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **HFCSP**

Company Profile

Hong Fok Corp Ltd ("HFC") is an investment holding company, with principal activities in property investment, property development, construction and property management. Its investment properties, The Concourse and International Building, total over 77,000 sqm by gross floor area. The Cheong family substantially controls HFC. Its top shareholders are Hong Fok Land International Ltd (20.40%), Goodyear Realty Co Pte Ltd (16.30%), Sim Eng Cheong (11.85%) and K P Cheong Investments Pte Ltd (11.04%).

Hong Fok Corp Ltd

Key credit considerations

- **Relatively small real estate developer with office portfolio for rental income and one main residential project:** HFC's investment property portfolio is valued at SGD2.25bn and comprises The Concourse at Beach Road, International Building at Orchard Road, International Plaza at Tanjong Pagar, retail and residential units at Concourse Skyline, and Magazine Gap Tower and Magazine Heights (both residential) in Hong Kong. The company is also developing a 610 room hotel on Orchard Road slated for completion in 1H2017 while looking to sell 119 unsold units in its main residential project Concourse Skyline at Beach Road. Listed on the SGX, HFC has a market capitalization of SGD585.7mn as at 06 Jan 15 compared to larger peers such as Capitaland (SGD13.30bn) and City Developments (SGD6.77bn).

- **9M2015 results hit by weak property development business:** Revenue fell 45% y/y to SGD45.4mn mainly due to lack of headway made in selling unsold units from Concourse Skyline which obtained Temporary Occupation Permit in March 2014. EBITDA consequently decreased 35% y/y to SGD15.2mn. Going forward we expect residential sales to remain lacklustre given the challenging environment in the RCR segment and competition from secondary sellers and flippers. The last primary transaction Concourse Skyline was in July 2013, since then there have been 4 sub-sales between 2013 and 2014 and 3 secondary transactions this year all cheaper on a psf basis. On the plus side, HFC's performance was supported by recurring rental income from HFC's office portfolio and residential leasing which was comparatively more stable. Although there was an increase in contributions from residential leasing of Concourse Skyline (9 units held to lease out), office rentals decreased due to lower occupancies.

- **Venturing into the hospitality business:** HFC intends to leverage on its strengths and expertise to expand its investment property portfolio at prime locations in Singapore. In 2014, the group commenced construction of YOTEL Singapore Orchard Road, a new 30-storey hotel with 610 guestrooms and a single-storey commercial block. The project is targeted to be completed in 1H2017 and should contribute positively to the group's recurring income streams going forward. As at end-2014, the project is valued at SGD442.5mn with committed capex of SGD53.1mn.

- **Divestment of stake in Winfoong:** HFC has sold its stake in Hong Kong-listed Winfoong International Ltd ("Winfoong"), a company involved in real estate, horticulture and securities trading. HFC owned an effective stake of 48.89% (38.86% direct) in Winfoong. Price per share was HKD0.3618, a 22.6% premium to HKD0.295 per share on 27 Mar 2015, the last trading day before announcement. The sale generated cash proceeds of SGD102.3mn and was credit positive in our opinion as the operations were insignificant and loss-making.

- **Balance sheet leverage decreased, but EBITDA generation weak in relation to debt:** Net gearing improved to 31% from 37% as of end-June 2015 as a result of cash proceeds of SGD102.3mn from the disposal of Winfoong. EBITDA generation remains weak however due to weak residential sales. LTM EBITDA/interest dipped below 1.0x to 0.8x while LTM net debt/EBITDA was 37.7x. Going forward this is unlikely to improve with no residential projects in the pipeline; the company will continue to look to sell unsold units in Concourse Skyline. That said, capex requirements look manageable (SGD5-9mn per quarter compared to EBITDA of about SGD15mn per quarter), with only one pipeline project (YOTEL). Liquidity is sufficient with SGD171.6mn in cash covering SGD5.9mn in short term debt.

Hong Fok Corp Limited

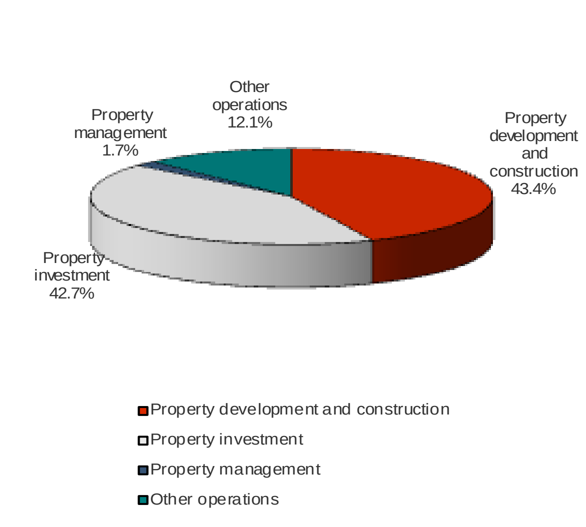
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	227.6	97.2	45.4
EBITDA	42.6	23.1	14.8
EBIT	42.4	22.8	14.5
Gross interest expense	17.1	18.7	15.4
Profit Before Tax	362.5	70.0	81.6
Net profit	357.0	48.1	57.3
Balance Sheet (SGD'mn)			
Cash and bank deposits	37.6	93.1	171.6
Total assets	2,599.4	2,621.8	2,681.9
Gross debt	796.7	739.4	745.2
Net debt	759.1	646.3	573.6
Shareholders' equity	1,727.0	1,797.8	1,869.3
Total capitalization	2,523.7	2,537.2	2,614.5
Net capitalization	2,486.1	2,444.2	2,442.9
Cash Flow (SGD'mn)			
Funds from operations (FFO)	357.2	48.4	57.7
CFO	-44.2	135.4	29.6
Capex	5.3	23.6	23.8
Acquisitions	16.5	0.0	0.0
Disposals	1.0	36.1	103.0
Dividend	4.7	9.5	12.6
Free Cash Flow (FCF)	-49.6	111.9	5.7
FCF Adjusted	-69.9	138.5	96.1
Key Ratios			
EBITDA margin (%)	18.7	23.8	32.6
Net margin (%)	156.8	49.5	126.3
Gross debt to EBITDA (x)	18.7	32.0	37.8
Net debt to EBITDA (x)	17.8	28.0	29.1
Gross Debt to Equity (x)	0.46	0.41	0.40
Net Debt to Equity (x)	0.44	0.36	0.31
Gross debt/total capitalisation (%)	31.6	29.1	28.5
Net debt/net capitalisation (%)	30.5	26.4	23.5
Cash/current borrowings (x)	0.08	1.20	29.05
EBITDA/gross interest (x)	2.5	1.2	1.0

Source: Company, OCBC estimates

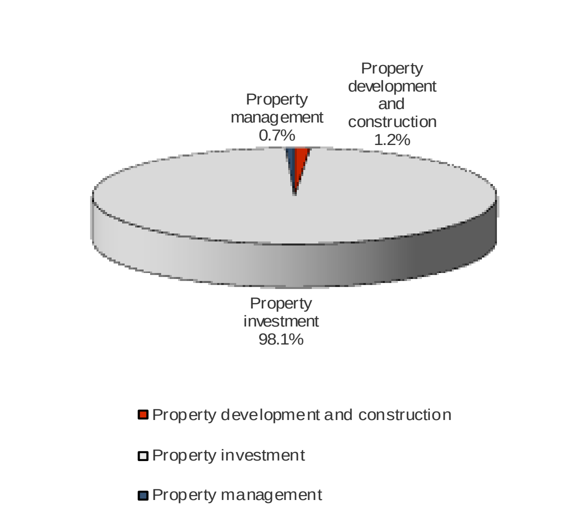
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2014



Source: Company

Figure 2: PBT breakdown by Segment - FY2014



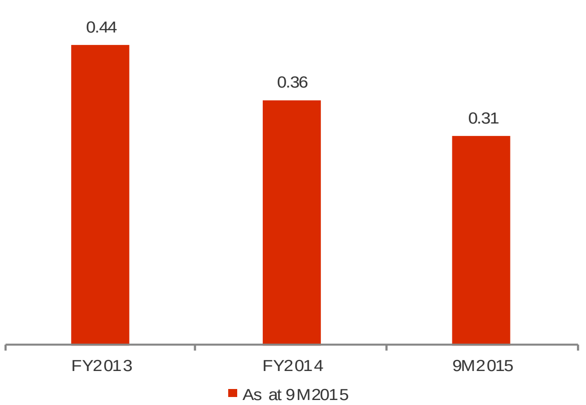
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	5.7	0.8%
Unsecured	0.2	0.0%
	5.9	**0.8%**
Amount repayable after a year		
Secured	520.7	69.9%
Unsecured	218.6	29.3%
	739.3	**99.2%**
Total	**745.2**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Hongkong Land Holdings Ltd

Credit Outlook – We like HK Land's credit profile which continues to improve, underpinned by strong recurring rental cash flows. That said, the HK Land bonds are tightly held and not actively traded.

Issuer Profile: Positive

S&P: A/Stable

Moody's: A3/Stable

Fitch: Not rated

Ticker: **HKLSP**

Company Profile

Established in 1889 and listed in London, Bermuda and Singapore, Hongkong Land Holdings Ltd ("HK Land") is a leading Asian property investment, management and development group. Its main portfolio is in Hong Kong, where it owns and manages ~4.9mn sqft of prime office and retail space in Central. HK Land also develops premium residential properties in a number of cities in the region, principally in China and Singapore. HK Land is 50.01-owned by Jardine Strategic Holdings Ltd (A/A3/NR).

Key credit considerations

- **1H2015 results characterized by stable rental income and increased contributions from lower margin China property developments:** HK Land's 1H2015 revenue was up 50.3% y/y to USD905.1mn mainly on a 262% y/y increase in property sales to USD419.9mn due to higher completions in China from wholly owned projects while commercial leasing contributions were stable. However, the change in product mix also saw 1H2015 EBITDA margins shrink to 50% from 76% previously due to the recognition of lower margin China residential sales although commercial leasing margins were stable. As a result, EBITDA was down slightly to USD452.8mn. Going forward, management expects continued performance from its core commercial portfolio in Hong Kong and Singapore while contributions from residential development will be lower due to fewer completions in Singapore and Hong Kong.

- **Portfolio of investment properties in Hong Kong and Singapore provide stable rental income:** HK Land is the largest landlord in Central, controlling about a quarter of total office space with 12 buildings representing 4.14mn sqft of prime office (Total Central space: 17mn sqft) and 590,000 sqft of retail space. Commercial space in Hong Kong represents 59% of the company's net floor area of 8.22mn sqft. HK Land also owns 1.78mn sqft of Grade A office and retail space in Singapore. HK Land's wholly owned commercial properties contributes the bulk of HK Land's underlying operating profit (75% in 2014) with ~USD800mn (excluding JVs and associates) in recurring EBIT annually.

- **Office outlook constructive:** Management was constructive on Hong Kong office with occupancies improving to 95.8% (1H2014: 94%) while negative rental reversions in 2H2014 stabilised with average 1H2015 rents stable h/h at HKD101 psf/mth. Singapore office on the other hand saw occupancies decline slightly while average rents were higher at SGD9.50 psf/mth. Going forward we believe the lack of Grade A office supply in Central should be supportive of rents and occupancies in Hong Kong. Meanwhile performance of its Singapore commercial portfolio could dip slightly due to the heavy supply coming online in 2016 coinciding with 15% of leases expiring at relatively high rates (SGD11.40 psf/mth).

- **Starting to diversify from commercial assets in Hong Kong and Singapore:** Apart from its portfolio in Hong Kong and Singapore, HK Land also owns 1.3mn sqft (16% of portfolio) of commercial space in fast growing markets such as Macau, Jakarta, Hanoi, Bangkok and Phnom Penh. HK Land's 90% owned WF Central, a luxury shopping mall (462,848 sqft of lettable retail space) with a hotel in Wangfujing, Beijing is slated for completion in 2016 while the company has a 30% stake in 1.29mn sqft of grade A office space in Beijing coming up in 2019. These developments will expand HK Land's investment portfolio into China.

- **Strong debt servicing capacity with ample liquidity:** HK land has USD4.4bn of available liquidity (USD1.7bn in cash and USD2.7bn in undrawn committed lines) to cover USD280mn of short term debt and USD467.1mn of committed capex by 5.9x. The company also has good banking relationships and access to capital markets. Leverage was largely stable with LTM debt/ adjusted EBITDA (excluding JV and associate income but including dividends received) unchanged at 3.6x and 2.2x on a gross and net basis, respectively. LTM EBITDA/interest coverage remained strong at 10.4 although deteriorating slightly from 10.6 in 2014.

Hongkong Land Holdings Ltd

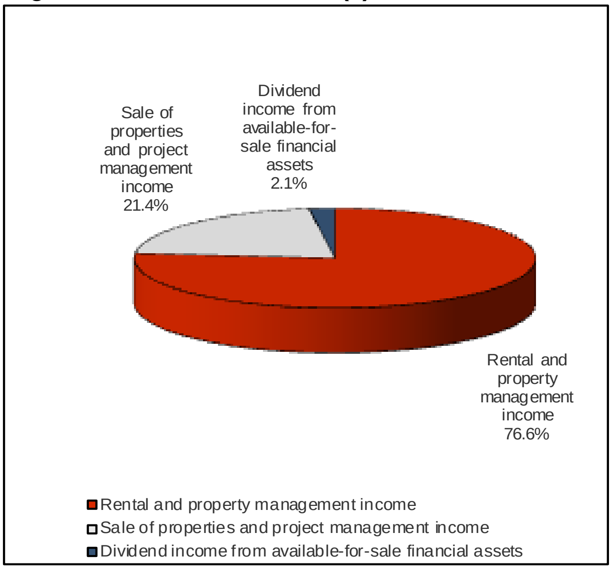
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (USD'mn)			
Revenue	1,857	1,876	2,179
EBITDA	908	1,055	1,050
EBIT	905	1,053	1,047
Gross interest expense	131	144	114
Profit Before Tax	1,357	1,537	1,500
Net profit	1,190	1,327	1,278
Balance Sheet (USD'mn)			
Cash and bank deposits	1,406	1,663	1,707
Total assets	32,996	33,633	33,722
Gross debt	4,432	4,320	4,282
Net debt	3,025	2,657	2,575
Shareholders' equity	26,899	27,598	27,725
Total capitalization	31,331	31,918	32,007
Net capitalization	29,924	30,255	30,300
Cash Flow (USD'mn)			
Funds from operations (FFO)	1,192	1,330	1,280
CFO	985	780	756
Capex	134	174	155
Acquisitions	318	-263	-537
Disposals	0	0	0
Dividends	405	426	450
Free Cash Flow (FCF)	851	606	601
* FCF Adjusted	129	443	688
Key Ratios			
EBITDA margin (%)	48.9	56.2	48.2
Net margin (%)	64.1	70.7	58.6
Gross debt to EBITDA (x)	4.9	4.1	4.1
Net debt to EBITDA (x)	3.3	2.5	2.5
Gross Debt to Equity (x)	0.16	0.16	0.15
Net Debt to Equity (x)	0.11	0.10	0.09
Gross debt/total capitalisation (%)	14.1	13.5	13.4
Net debt/net capitalisation (%)	10.1	8.8	8.5
Cash/current borrowings (x)	2.0	5.8	6.1
EBITDA/Total Interest (x)	6.9	7.3	9.2

Source: Company, OCBC estimates

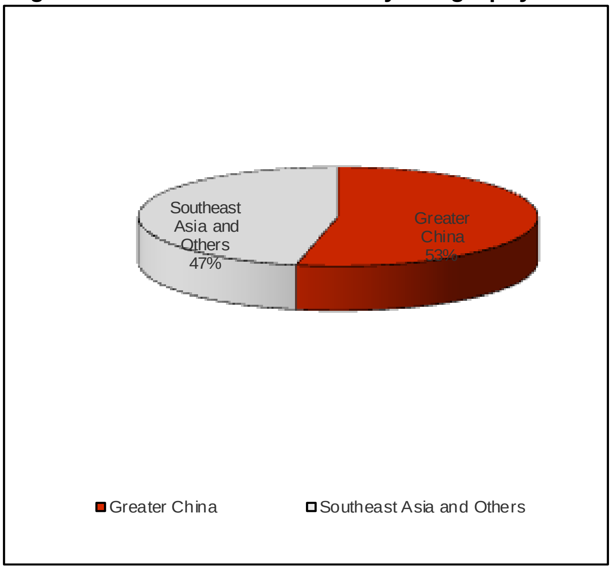
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Net Debt to EBITDA (x)



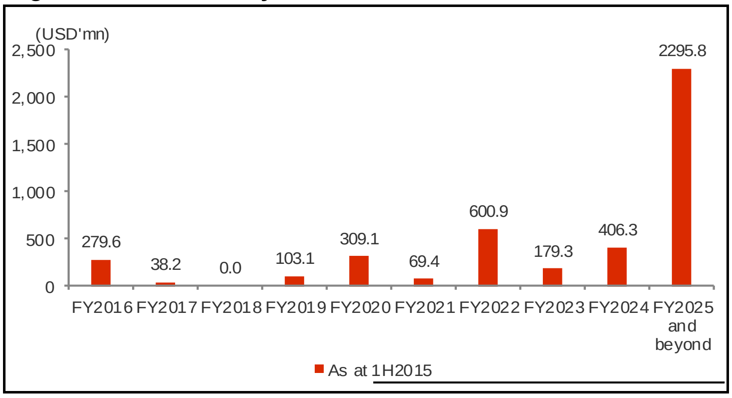
Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



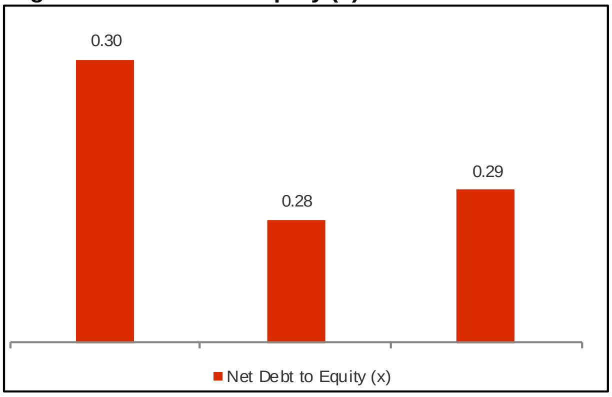
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Hotel Properties Ltd

Credit Outlook – HPL faces short-term refinancing risks (including SGD100mn in bonds in 1H2016). Credit profile has deteriorated as a result of the weak Singapore residential market as well. That said, HPL's cash flow generating ability remains strong due to its portfolio of prime hotel assets. We like the 18s with a spread of 68bps.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **HPLSP**

Company Profile

The principal activities of Hotel Properties Limited ("HPL") include hotel ownership, management and operation, property development and investment holding. HPL has interests in 29 hotels under prestigious hospitality brands. HPL has also established itself as a niche property developer and owner in prime locations, including the Orchard Road area in Singapore. The controlling shareholder is 68 Holdings Pte Ltd, which owns 56.5% of HPL. 68 Holdings Pte Ltd is mainly owned by Wheelock Properties Singapore and HPL's co-founder, Mr Ong Beng Seng.

Key credit considerations

- **9M2015 earnings continue to be affected by weak property sales:** HPL's 9M2015 revenue fell 5.5% y/y to SGD455.9mn, largely due to decreased contributions from the property division. Tomlinson Heights, completed in 1Q2014, is HPL's sole project in Singapore and failed to generate any primary market transactions (2014:3 transactions) due to stiff competition in the secondary market (8 resale transactions in 9M2015 at lower psf values than primary market). 9M2015 EBITDA fell 17.3% y/y to SGD116.5mn. In addition, share of results of associates and jointly controlled entities was lower by 38% y/y due to lower sales from The Interlace and d'Leedon (both joint venture projects with CapitaLand), which were completed in September 2013 and October 2014, respectively.

- **Hotels will continue to underpin performance:** Although contributions from HPL's property division will likely remain weak and lumpy in the near term, HPL expects earnings to be supported by its hotel businesses, which continue to contribute recurring income to the group (Hotels contributed 80% of 2014 revenue). The group commenced soft opening for its first resort in Thailand outside of Bangkok, Point Yamu by COMO in Phuket in late 2014. In December 2014, HPL opened the "Four Seasons Hotel The Westcliff, Johannesburg" after an extensive 2-year renovation although management disclosed that the hotel incurred losses in 2Q2015. Apart from the hotel business, HPL also owns Concorde Shopping Centre and The Forum Shopping Mall, investment properties which provide recurring rental income to the group albeit still a relatively small contribution (4.3% of 2014 revenue).

- **Overseas projects still in gestation period:** Only Campden Hilll in London is expected to be completed in late 2016 while Burlington Gate will be completed in early 2017. In addition to that, HPL partnered with Temasek Holdings, Amcorp Properties from Malaysia and UK developer, Native Land to acquire a 30% stake in a project located on London's South Bank for GBP308mn (~GBP92.4mn attributable to HPL) in March 2015. The 5.3 acres site will be redeveloped into a residential mixed development complete with offices, retail and leisure facilities with an estimated gross development value of more than GBP1.0bn. HPL also formed a joint venture (70%-stake) to acquire a freehold property (~1.1 acres) located in Paddington, London for GBP111.0mn in October 2014. Most of the these overseas projects are still in gestation periods and driver of results in 2016 will continue to be hotel operations and residential sales from its existing completed projects in Singapore (Tomlinson Heights and 2 JV projects, The Interlace and d'Leedon).

- **Leverage increased due to lower contributions from property development:** HPL's net gearing increased slightly to 53% as of end-September 2015 (2014:52%). LTM net debt/EBITDA deteriorated to 6.64x from 5.7x as of end-2014 mainly due to lower contributions from property development (Tomlinson Heights). LTM EBITDA interest coverage remained healthy at 4.4x despite falling from 5.5x in 2014. Cash increased by SGD36.9mn to SGD173.5mn but is insufficient to cover SGD265.5mn of short-term debt which includes SGD70mn and SGD30mn in bonds maturing in March 2016 and May 2016, respectively. That said, the group has demonstrated its good access to capital markets through two bond issuances (total of SGD115mn) in 2Q2015 and we expect HPL to be able to refinance the maturing debt.

Hotel Properties Limited

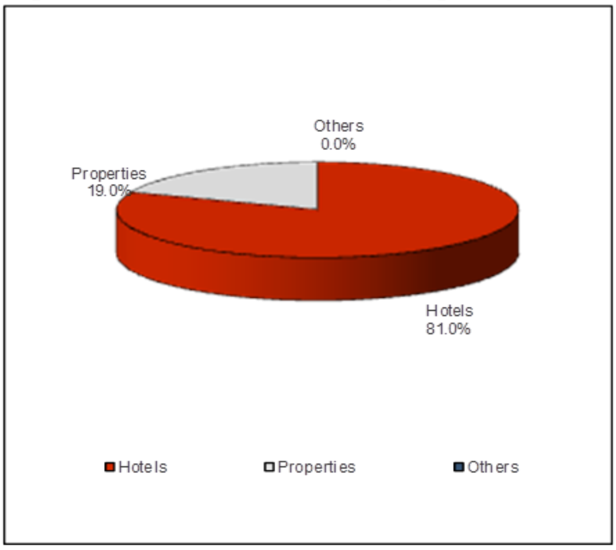
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	692.0	614.6	455.9
EBITDA	199.1	176.9	116.5
EBIT	152.3	127.7	78.3
Gross interest expense	32.4	34.1	26.4
Profit Before Tax	212.8	160.0	65.9
Net profit	177.6	124.4	43.4
Balance Sheet (SGD'mn)			
Cash and bank deposits	115.3	136.6	173.5
Total assets	3,014.2	3,231.2	3,246.0
Gross debt	1,057.5	1,137.1	1,185.6
Net debt	942.2	1,000.5	1,012.1
Shareholders' equity	1,802.3	1,921.5	1,912.9
Total capitalization	2,859.8	3,058.6	3,098.5
Net capitalization	2,744.5	2,922.0	2,925.0
Cash Flow (SGD'mn)			
Funds from operations (FFO)	224.4	173.6	81.6
CFO	138.6	281.6	152.1
Capex	41.2	148.8	47.6
Acquisitions	65.6	2.4	0.0
Disposals	0.8	17.8	1.1
Dividend	38.1	41.4	56.5
Free Cash Flow (FCF)	97.3	132.8	104.5
FCF Adjusted	-5.6	106.7	49.1
Key Ratios			
EBITDA margin (%)	28.8	28.8	25.6
Net margin (%)	25.7	20.2	9.5
Gross debt to EBITDA (x)	5.3	6.4	7.6
Net debt to EBITDA (x)	4.7	5.7	6.5
Gross Debt to Equity (x)	0.59	0.59	0.62
Net Debt to Equity (x)	0.52	0.52	0.53
Gross debt/total capitalisation (%)	37.0	37.2	38.3
Net debt/net capitalisation (%)	34.3	34.2	34.6
Cash/current borrowings (x)	0.37	0.52	0.65
EBITDA/gross interest (x)	7.9	5.5	4.4

Source: Company, OCBC estimates

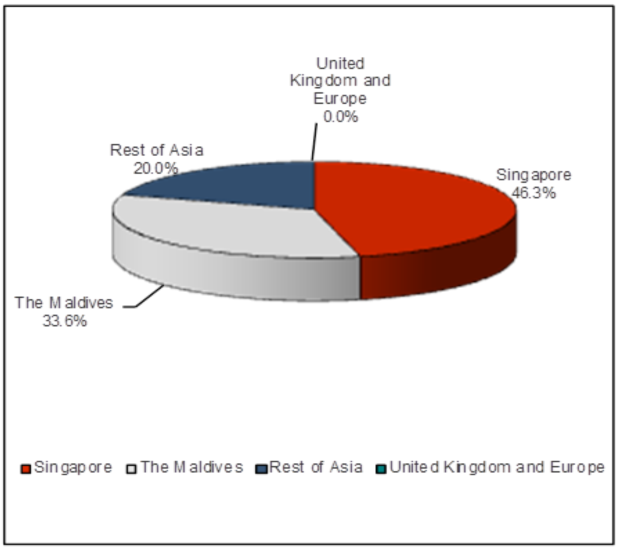
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2014



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



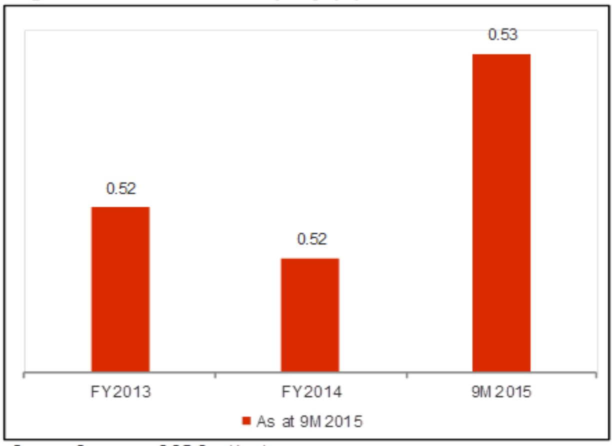
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	115.5	9.7%
Unsecured	150.0	12.7%
	265.5	**22.4%**
Amount repayable after a year		
Secured	506.0	42.7%
Unsecured	414.1	34.9%
	920.1	**77.6%**
Total	**1185.6**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

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Credit Outlook – We continue to like the KEPSP'23, which provides a spread pickup of over 25bps in exchange for an extension of ~1.5Y over the KEPSP'22.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **KEPSP**

Company profile

Listed in 1986, Keppel Corp Ltd ("KEP") is a diversified conglomerate based in Singapore, operating in the offshore & marine ("O&M"), real estate, and infrastructure sectors. Its principal activities include offshore oil rig construction, shipbuilding and repair, environmental engineering, power generation, property investment and development, and the operation of logistics and data centre facilities. Keppel operates in more than 30 countries internationally, and is 21.0%-owned by Temasek Holdings Ltd.

Keppel Corp Ltd

Key credit considerations

- **Property segment offsetting O&M:** 3Q2015 saw total revenue decline 23.4% y/y to SGD2440mn, driven by the 35.8% slump in O&M revenue. O&M revenue has been pressured by order delays as well as the difficulty in securing newbuild orders for drilling rigs. Revenue contribution by O&M has fallen to 58%, compared to 69% (3Q2014). The property segment picked up the slack, contributing 20% of total revenue for the quarter compared to just 7% in 3Q2015. Though domestically, the property segment remains muted due to the cooling measures, business in China was brisk with KEP seeing steady sentiment improvement since 1Q2015. For 9M2015, KEP was able to sell 3,130 homes, 66% higher y/y and already exceeding the 2,400 homes sold for 2014. More than 70% of these were in China.

- **Shift in earnings:** 3Q2015 pre-tax profit fell 26.8% y/y to SGD470mn, driven by 42.6% fall in O&M segment pre-tax profits. This was also driven by operating margin compression due to lower revenues, with O&M operating margin falling to 12.3% (compared to 15% for 3Q2014). Property segment pre-tax profits were flat at ~SGD200mn for 3Q2015, despite the sharp increase in revenue, due to the lack of MBFC tower 3 contributions (sold in 4Q2014). Due to these changes, pre-tax contribution from O&M and property are now equal (~44%) compared to 47% (O&M) and 35% (property) as of end-2014. We can expect this trend to persist. As of end-3Q2015, KEP has about 16,590 launch-ready residential properties (for execution through end-2017). The geographical split by units is China (60%), Vietnam (15%), Indonesia (13%), Singapore (6%) and others.

- **O&M Order book weakness and delays unsurprising**: KEP's O&M order book has declined from SGD12.5bn (end-2014) to SGD10.0bn (end-3Q2015). With oil majors cutting capex, winning new orders, particularly for drilling rigs, has been challenging. Though KEP still managed SGD1.7bn in new wins YTD, none of these were newbuild drilling rigs. Troubled Sete Brasil remains a large part of KEP's SGD4.6bn in newbuild semi-submersible orders. KEP still has about SGD3.6bn in net contract value for deliveries through 2016 / 2017, which may help support O&M revenue. KEP is also trying to control their Sete Brasil exposure by "going slow" on work there till Sete Brasil resolves its financing situation. KEP has also accepted requests for delivery delays. There were 3 jackup rigs (for Grupo R and Parden) that were originally due for delivery by end-2015, but have been pushed to 2016. Given the still weak environment, there could potentially be further order delays, or even order cancellations

- **Sete Brasil wildcard**: KEP has not been paid since November 2014, and has largely stopped work on the contract since end-1H2015. As of late October 2015, KEP's CFO has stated that it was premature to discuss making provisions for the Sete Brasil contracts. In our view, slowing work has helped reduce the mounting receivables owned by Sete Brasil, helping preserve KEP's cash flow. That said, we consider Sete Brasil uncertainty to be the largest risk to KEP's credit profile.

- **Credit profile stabilizing, liquidity well supported**. YTD, KEP generated negative SGD1.4bn in FCF, paid SGD930mn in dividends and spent ~SGD3bn to take Keppel Land private. This was funded by ~SGD400mn increase in debt, ~SGD4bn decline in cash YTD and the divestment of 51% of Merlimau Cogen (~SGD950mn cash inflow). In addition, KEP was able to issue SGD200mn in bonds in November. Though we can expect further net gearing deterioration from the current 52% given negative FCF, the pace of deterioration should slow. With diversification benefits from the property segment, we will hold KEP at **Neutral**.

Keppel Corp Ltd

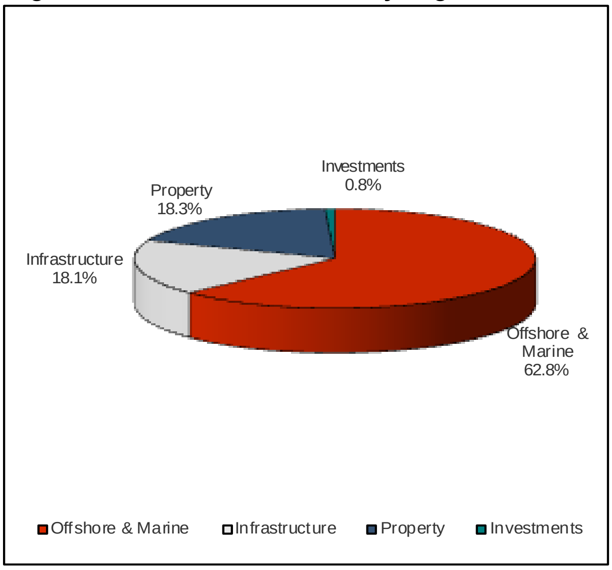
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	12,380.4	13,283.0	7,816.8
EBITDA	2,108.5	2,305.4	1,312.8
EBIT	1,866.2	2,040.3	1,127.4
Gross interest expense	124.7	134.0	114.3
Profit Before Tax	2,793.7	2,888.6	1,422.7
Net profit	1,845.8	1,884.8	1,119.8
Balance Sheet (SGD'mn)			
Cash and bank deposits	5,564.7	5,736.0	1,777.1
Total assets	30,055.6	31,554.8	28,609.8
Gross debt	7,099.5	7,382.5	7,806.0
Net debt	1,534.9	1,646.5	6,028.9
Shareholders' equity	13,688.9	14,727.6	11,686.6
Total capitalization	20,788.4	22,110.2	19,492.5
Net capitalization	15,223.7	16,374.2	17,715.4
Cash Flow (SGD'mn)			
Funds from operations (FFO)	2,088.1	2,149.9	1,305.2
CFO	624.7	4.7	-738.4
Capex	936.1	594.9	639.7
Acquisitions	576.3	667.4	552.4
Disposals	567.2	1,728.6	1,252.6
Dividends	843.1	1,028.5	929.7
Free Cash Flow (FCF)	-311.4	-590.2	-1,378.2
* FCF Adjusted	-1,163.7	-557.6	-1,607.6
Key Ratios			
EBITDA margin (%)	17.0	17.4	16.8
Net margin (%)	14.9	14.2	14.3
Gross debt to EBITDA (x)	3.4	3.2	4.5
Net debt to EBITDA (x)	0.7	0.7	3.4
Gross Debt to Equity (x)	0.52	0.50	0.67
Net Debt to Equity (x)	0.11	0.11	0.52
Gross debt/total capitalisation (%)	34.2	33.4	40.0
Net debt/net capitalisation (%)	10.1	10.1	34.0
Cash/current borrowings (x)	10.8	3.2	1.2
EBITDA/Total Interest (x)	16.9	17.2	11.5

Source: Company, OCBC estimates

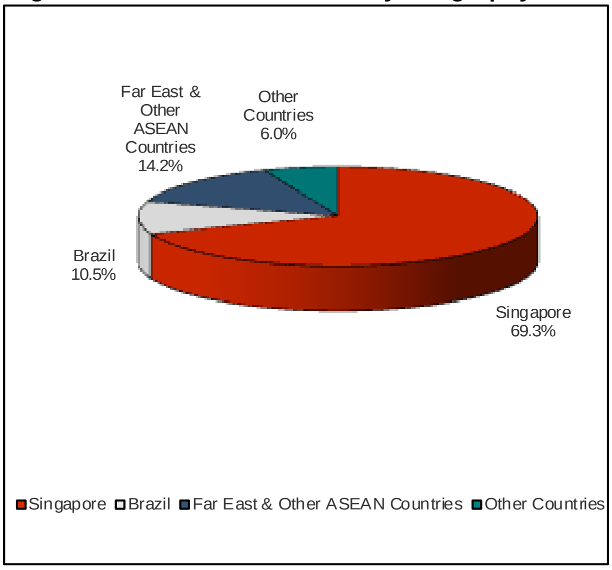
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Revenue breakdown by Geography - 9M2015



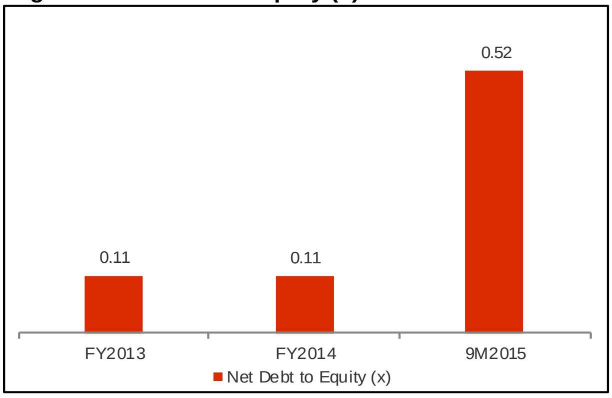
Source: Company

Figure 3: Debt Maturity Profile

Amounts in SGD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	86.9	1.1%
Unsecured	1427.3	18.3%
	1514.2	**19.4%**
Amount repayable after a year		
Secured	1164.1	14.9%
Unsecured	5127.7	65.7%
	6291.8	**80.6%**
Total	**7806.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We continue to believe the MCTSP curve to be fairly valued (at a spread of 38bps – 53bps) though the MCTSP'19 may be a candidate to switch into from richer bonds given the shorter duration.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Baa1/Stable

Fitch: Not rated

Ticker: **MCTSP**

Company Profile

Mapletree Commercial Trust ("MCT") is a REIT that invests in office and retail assets. Its four key assets are: 1) VivoCity – a retail and leisure complex; 2) Bank of America Merrill Lynch HarbourFront ("MLHF") – an office occupied by Bank of America Merrill Lynch; 3) PSA office building ("PSAB") that includes a 40-storey office block and Alexandra Retail Centre ("ARC"); and 4) Mapletree Anson – a Grade A office building in Tanjong Pagar CBD. The properties, with an NLA of 2.1mn sqft, are valued at SGD4.20bn as of 31 Mar 15. MCT is 36.9%-owned by Temasek through Mapletree Investments.

Mapletree Commercial Trust

Key credit considerations

- **Steady 1HFY2016 (end-September) results:** Net property income ("NPI") grew 5.1% y/y to SGD109.1mn due to higher contributions from VivoCity and MLHF, as well as lower property operating expenses (lower electricity consumption and lower tariff rates). These were partially offset by lower revenue from Mapletree Anson and PSAB, which registered lower occupancy rates.

- **Key asset VivoCity still performing well:** VivoCity contributed ~66.0% of MCT's NPI in 1HFY2016. In particular, VivoCity continued to deliver robust performance with NPI rising 8.9% y/y, largely driven by higher rental income from positive rental reversion (including the positive impact from the newly created Basement 1 retail space) and the effects of the rental step ups in existing leases. More importantly, both shopper traffic and tenant sales at VivoCity recovered in 2QFY2016, growing 3.1% y/y and 5.5% y/y, respectively (1QFY2016 shopper traffic and tenant sales declined 6.7% y/y and 2.0% y/y, respectively). On the operating front, VivoCity's committed occupancy rate was strong at 99.9% compared to 99.5%, as at end-FY2015.

- **Lower office occupancy levels:** Meanwhile, occupancy rates at MCT's office assets, Mapletree Anson and PSAB were low at 91.8% (1HFY2015: 87.5%) and 93.4% (1HFY2015: 91.0%) respectively, due to transitional vacancy from the expiring leases in the two office assets. On a positive note, committed occupancy for Mapletree Anson and PSAB were healthy at 99.1% and 94.7%, respectively.

- **Positive rental reversions achieved:** Despite headwinds in both retail and office sectors, MCT managed to achieve positive rental reversion of 13.2% (retention rate: 85.2%) and 10.6% (retention rate: 66.8%) for its expiring retail and office leases respectively, in 1HFY2016. Although MCT's portfolio weighted average lease expiry (by gross rental) is still relatively short at 2.3 years (office: 3.0 years, retail: 2.0 years), it is an improvement from end-1HFY2015 (2.0 years). ~25.1% and ~25.7% of MCT's leases will expire in FY2017 and FY2018, respectively but we think leasing risk should be partly mitigated by VivoCity's diverse tenant mix from various trade sectors and its position as the largest destination mall in Singapore. In addition, office leases only really start expiring from April 2017 (avoiding the glut in new office supply coming in 2016).

- **Credit metrics to remain stable:** MCT's aggregate leverage (gross debt/total assets) was unchanged at 36.4% as at end-1HFY2016 (end-FY2015: 36.4%) while EBITDA/gross interest dropped to 5.1x (end-FY2015: 5.4x). Going forward, credit metrics for MCT shall remain stable given that there are no major capex needs following the completion of VivoCity's asset enhancement initiative in 1QFY2016. Asset injections by the sponsor could change this outlook though.

- **Longer average debt to maturity but higher borrowing cost:** MCT has been active in managing its debt maturity profile and the weighted average term to maturity of debt has been extended to 3.9 years (end-FY2015: 3.6 years). Nonetheless, the longer term to maturity, coupled with the effects of higher short term interest rates on the unhedged floating rate debt have resulted in a higher weighted average all-in cost of debt of 2.42% per annum (end-FY2015: 2.28% per annum). That said, interest rate risk remained muted as ~70.6% of MCT's total debt is either fixed rate debt or has been hedged. We see limited refinancing risk as the trust has good access to capital and 100% of MCT's total assets are unencumbered. Current borrowings are just SGD170.0mn (11% of total borrowings). There are no bonds due till FY2020.

Mapletree Commercial Trust

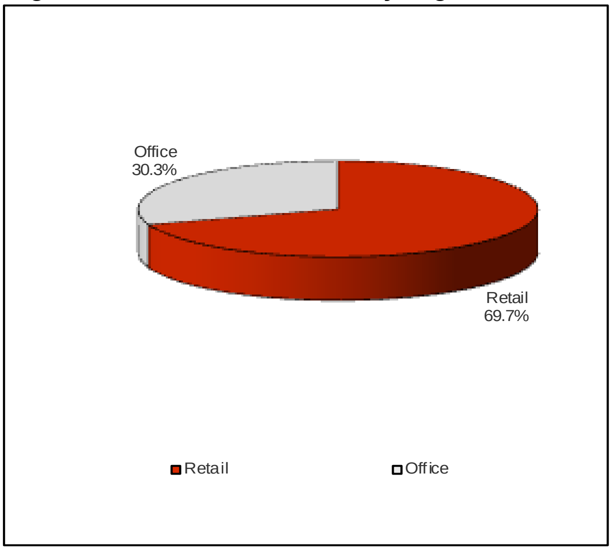
Table 1: Summary Financials

Year Ended 31st March	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	267.2	282.5	141.0
EBITDA	177.1	192.4	99.1
EBIT	177.1	192.4	99.1
Gross interest expense	34.9	36.0	19.5
Profit Before Tax	343.3	312.1	79.9
Net profit	343.3	312.1	79.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	70.4	54.9	50.8
Total assets	4,109.6	4,262.8	4,263.3
Gross debt	1,587.5	1,546.5	1,548.6
Net debt	1,517.1	1,491.7	1,497.8
Shareholders' equity	2,425.6	2,617.0	2,619.7
Total capitalization	4,013.1	4,163.5	4,168.3
Net capitalization	3,942.7	4,108.7	4,117.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	343.3	312.1	79.9
CFO	188.8	203.5	100.9
Capex	3.9	8.0	3.9
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	126.4	136.4	81.5
Free Cash Flow (FCF)	184.9	195.5	97.0
FCF adjusted	58.5	59.1	15.5
Key Ratios			
EBITDA margin (%)	66.3	68.1	70.3
Net margin (%)	128.5	110.5	56.6
Gross debt to EBITDA (x)	9.0	8.0	7.8
Net debt to EBITDA (x)	8.6	7.8	7.6
Gross Debt to Equity (x)	0.65	0.59	0.59
Net Debt to Equity (x)	0.63	0.57	0.57
Gross debt/total capitalisation (%)	39.6	37.1	37.2
Net debt/net capitalisation (%)	38.5	36.3	36.4
Cash/current borrowings (x)	0.21	0.29	0.30
EBITDA/Total Interest (x)	5.1	5.4	5.1

Source: Company, OCBC estimates

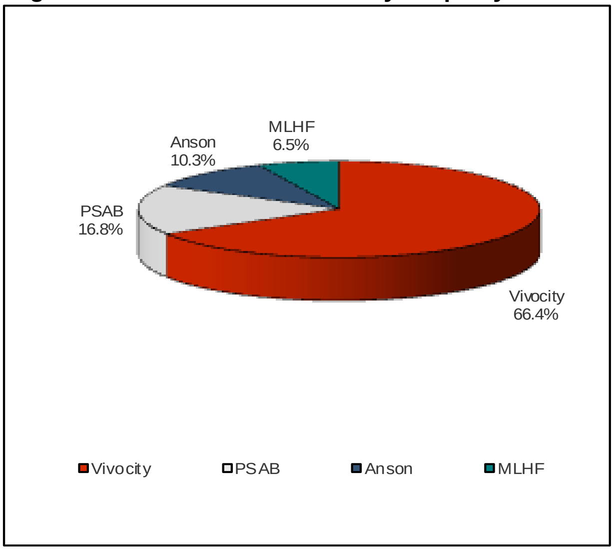
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2016



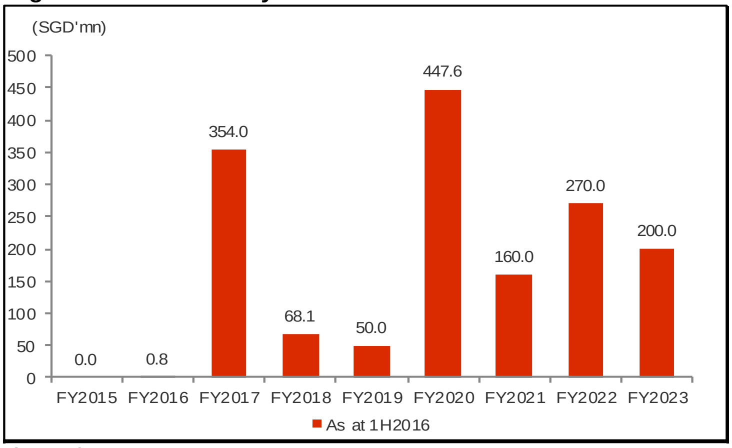
Source: Company

Figure 2: Revenue breakdown by Property - 1H2016



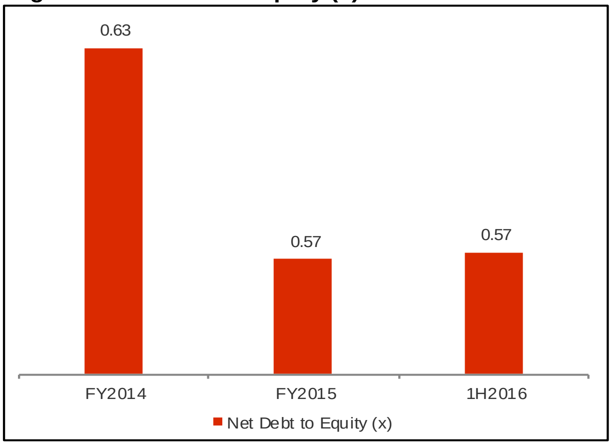
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Mapletree Industrial Trust

Credit Outlook – MINT's industry outlook is mitigated by the trust's diverse tenant profile and strong credit metrics. We think the MINT'19 and MINT'22 are not attractive with the tight spreads over swaps. Although the spread on the MINTSP'23 has widened, it's still expensive in our view.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: BBB+/Stable

Ticker: **MINTSP**

Company Profile

Mapletree Industrial Trust ("MINT") is a Singapore-focused industrial REIT. MINT owns a diversified portfolio comprising 84 properties such as Business Park Buildings, Flatted Factories, Stack-up / Ramp-up Buildings, Light Industrial Buildings and Hi-Tech Buildings. As of 31 Mar 15, MINT's properties were valued at SGD3.4bn, with a total gross floor area of ~19.7mn sqft. MINT is 33.4%-owned by Temasek Holdings through Mapletree Investments Pte Ltd.

Key credit considerations

- **Robust 1HFY2016 (end-September) results:** 1HFY2016 (ended Sept 2015) net property income grew 7.4% y/y to SGD121.2mn on the back of higher occupancies, stable rental rates and contribution from the completed build-to-suit ("BTS") data centre at 26A Ayer Rajah Crescent ("Equinix"). Property operating expenses were also 0.8% lower y/y due to lower marketing commissions and utilities expenses.

- **Slight increase in portfolio occupancy:** Average portfolio occupancy improved to 93.8% as at end-1HFY2016 (from 90.2% in 4QFY2015) due to higher occupancies achieved across all segments except the Stack-up/Ramp-up Buildings.

- **Positive rental reversions but muted outlook:** Average portfolio passing rent increased to SGD1.88 per sqft per month ("psf/mth") as at end-1HFY2016 from SGD1.84 psf/mth as at end-4QFY2015. However, we note that in 2QFY2016, the Business Park Buildings and Stack-Up/Ramp-Up Buildings segments have registered a second consecutive quarter of negative rental reversions (-1.5% and -2.5%, respectively) for renewal leases, likely due to the challenging leasing market. Going forward, management expects rents for multi-user conventional industrial space to ease further, while rents for business parks could experience a slight dip. On the other hand, rents of higher specification industrial premises should remain stable on the back of limited supply. Management remains proactive in lease management and only 5.5% of leases (by gross rental income) are due for renewal in FY2016.

- **Unlocking value through asset enhancement initiatives ("AEI"):** MINT has been active in growing its exposure to high-specification industrial buildings and the trust's latest move is the SGD77.0mn AEI at Kallang Basin 4 Cluster, which involves the development of a new 11-storey Hi-Tech Building at the existing open car park space and improvement works at the existing buildings in the cluster. This will increase gross floor area by ~317,000 sqft. The AEI is expected to be completed in 4Q2017 and should positively contribute to margin stability.

- **Stable weighted average lease to expiry ("WALE"):** MINT's portfolio WALE (by gross rental income) remained stable at 3.1 years as at end-2QFY2016, offering income visibility to the trust. Although 23.1% and 31.6% of MINT's leases (by gross rental income) are due for renewal in FY2017 and FY2018 respectively, leasing risk should be limited given the trust's large (>2,000 tenants) and diversified tenant base (no single trade sector accounted for >16% of portfolio's gross rental income). Furthermore, MINT's largest and top 10 tenants contributed only <4.0% and ~17.2% of its portfolio gross rental income, respectively.

- **Healthy credit metrics:** As at end-1HFY2016, aggregate leverage (gross debt/total assets) for MINT remained low at 29.7%, while EBITDA/gross interest was stable at 8.4x (end-FY2015: 8.6x). As such, we believe that MINT should have sufficient financial flexibility to fund the BTS project for Hewlett-Packard Singapore and the AEI for Kallang Basin 4 Cluster. In addition, management will continue to utilize proceeds from the dividend reinvestment plan to repay dent or fund its development projects. MINT has hedged 80.0% of its total borrowings to minimize interest rate risk. The trust also has a long weighted average debt maturity of 3.8 years, with a steady all-in funding cost of 2.3%.

Mapletree Industrial Trust

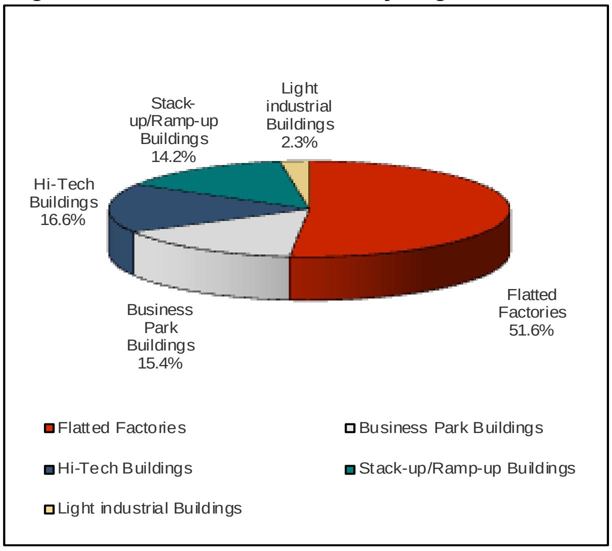
Table 1: Summary Financials

Year Ended 31st March	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	299.3	313.9	164.4
EBITDA	191.0	203.4	107.8
EBIT	191.0	203.4	107.8
Gross interest expense	25.9	23.8	12.8
Profit Before Tax	314.3	375.4	94.1
Net profit	314.3	374.3	94.1
Balance Sheet (SGD'mn)			
Cash and bank deposits	95.7	72.0	70.1
Total assets	3,275.1	3,516.0	3,521.6
Gross debt	1,127.5	1,074.7	1,045.1
Net debt	1,031.7	1,002.7	975.1
Shareholders' equity	2,028.7	2,312.2	2,347.0
Total capitalization	3,156.1	3,386.9	3,392.1
Net capitalization	3,060.4	3,314.9	3,322.0
Cash Flow (SGD'mn)			
Funds from operations (FFO)	314.3	374.3	94.1
CFO	190.0	204.9	109.1
Capex	0.0	0.0	0.0
Acquisitions	137.9	54.5	12.3
Disposals	0.0	0.0	0.0
Dividends	97.3	97.5	59.2
Free Cash Flow (FCF)	190.0	204.9	109.1
FCF adjusted	-45.2	52.9	37.5
Key Ratios			
EBITDA margin (%)	63.8	64.8	65.6
Net margin (%)	105.0	119.3	57.2
Gross debt to EBITDA (x)	5.9	5.3	4.8
Net debt to EBITDA (x)	5.4	4.9	4.5
Gross Debt to Equity (x)	0.56	0.46	0.45
Net Debt to Equity (x)	0.51	0.43	0.42
Gross debt/total capitalisation (%)	35.7	31.7	30.8
Net debt/net capitalisation (%)	33.7	30.2	29.4
Cash/current borrowings (x)	0.28	0.57	0.52
EBITDA/Total Interest (x)	7.4	8.6	8.4

Source: Company, OCBC estimates

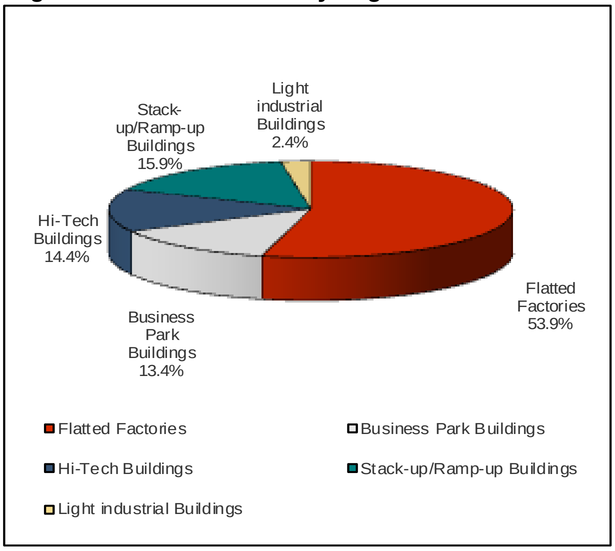
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2016



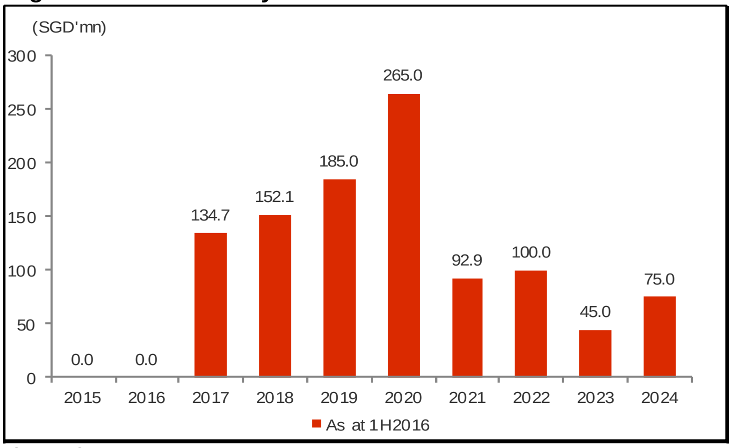
Source: Company

Figure 2: NPI breakdown by Segment - 1H2016



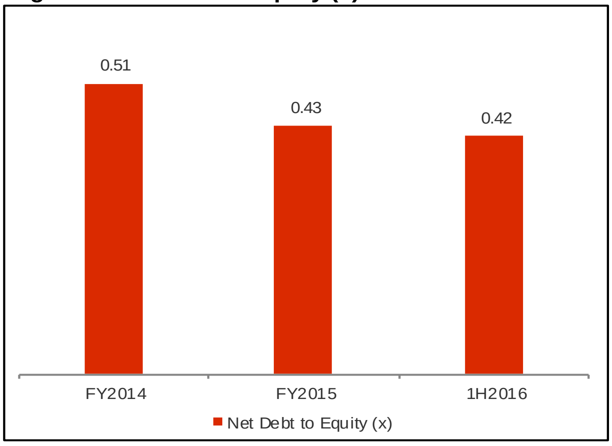
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – MLT's aggregate leverage has increased due to recent acquisitions and capital expenditure. We expect the focus to now be on redevelopment and divestments to control leverage. The MLTSP 5.375% '49c17 currently looks attractive at a 167bps spread over swaps. The perpetual will likely be called in September 2017 as the coupon will reset at SDSW5+418bps, raising funding cost to ~6.7%.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Baa1/Stable

Fitch: Not rated

Ticker: **MLTSP**

Company Profile

Listed on the SGX in 2005, Mapletree Logistics Trust ("MLT") is the first Asia-focused logistics REIT in Singapore. As at 30 Sep 15, MLT has a portfolio of 119 logistics assets in Singapore, Hong Kong, Japan, China, Malaysia, South Korea and Vietnam with a total portfolio value of SGD4.98bn. Temasek owns 40.2% of MLT.

Mapletree Logistics Trust

Key credit considerations

- **1HFY2016 (end-September) results impacted by higher borrowing costs:** Net property income increased by 4.7% y/y to SGD144.1mn on the back of contributions from acquisitions and organic growth from the existing portfolio. This was partly mitigated by higher property expenses arising from the conversions of single user assets ("SUAs") to multi-tenanted buildings ("MTBs"). More importantly, borrowing costs rose by 25.0% y/y mainly due to incremental borrowing to fund acquisitions and capital expenditure. As a result, net income fell 6.0% y/y to SGD98.2mn.

- **Slight improvement in portfolio occupancy:** MLT's portfolio occupancy increased to 96.9% as at end-1HFY2016 from 1QFY2016's 96.6%, due to the progressive leasing up of vacant space at some properties that were converted to MTBs last year. Excluding China and Hong Kong, occupancy rates for other countries have improved or stayed flat q/q. Although MLT has renewed/replaced ~76.0% of the portfolio leases (by gross revenue) due to expire in FY2016, we note that average rental reversion rate has moderated to 3.0% in 2QFY2016 from 5.0% in 1QFY2016 due to the subdued economic environment.

- **Active asset and lease management to be a key focus:** Management expects portfolio occupancy and expenses in Singapore to remain under pressure during the transition period of converting SUAs to MTBs. In addition, although leasing activities have remained stable, rental reversions are expected to moderate as MLT's customers continue to be cautious amidst the current soft business environment. As such, management believes that active asset and lease management will be the key focus to optimise portfolio returns going forward.

- **Portfolio rejuvenation underway:** MLT will continue to embark on its portfolio rejuvenation strategy by selectively divesting low yielding, older assets with limited redevelopment potential and recycle capital into investments in modern, higher yielding assets. In 2QFY2016, MLT completed the divestment of 134 Joo Seng Road for SGD13.5mn and announced the proposed divestment of 20 Tampines Street 92 for SGD20.0mn. In line with its strategy, the trust also acquired three warehouses in Australia, South Korea and Vietnam for a total of SGD295.0mn in 1HFY2016. In addition, the trust has 2 on-going redevelopment projects in Singapore (5B Toh Guan Road East and 76 Pioneer Road) which are expected to be completed in 1QFY2017 and 4QFY2018, respectively.

- **Stable long leases:** MLT's weighted average lease expiry of ~4.8 years (by net lettable area) will continue to provide earnings stability and visibility going forward. In addition, concentration risk is reduced as MLT's portfolio is well diversified in 8 different countries (from 7 countries as at end-FY2015) following the acquisition of Coles Chilled Distribution Centre in Sydney, Australia.

- **Deterioration in credit metrics but low refinancing risk:** MLT's aggregate leverage (gross debt/total assets) increased to 38.8% as at end-1HFY2016 (vs. 34.3% as at end-FY2015), while EBITDA/gross interest decreased to 6.5x (FY2015: 7.4x). These were mainly due to higher borrowing raised to finance acquisitions and capital expenditure. That said, refinancing risk remains low for MLT as the trust has a weighted average debt duration of 3.4 years as at end-1HFY2016. 81.0% of MLT's total debt is hedged into fixed interest rates and foreign exchange risk is well-managed too as >85% of distributable income in FY2016 is hedged.

Mapletree Logistics Trust

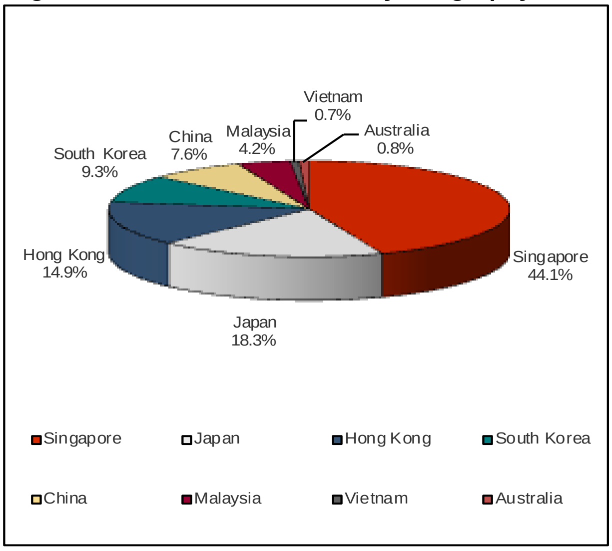
Table 1: Summary Financials

Year Ended 31st March	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	310.7	330.1	172.5
EBITDA	237.4	245.1	127.0
EBIT	236.2	244.1	126.5
Gross interest expense	29.4	33.2	19.7
Profit Before Tax	329.2	289.4	101.6
Net profit	292.7	241.0	83.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	114.3	106.9	111.6
Total assets	4,397.0	4,787.7	5,141.7
Gross debt	1,455.4	1,631.9	1,985.6
Net debt	1,341.1	1,525.0	1,874.0
Shareholders' equity	2,732.2	2,888.3	2,873.6
Total capitalization	4,187.6	4,520.2	4,859.1
Net capitalization	4,073.3	4,413.3	4,747.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	293.9	242.0	84.5
CFO	210.2	236.2	125.0
Capex	0.0	0.0	20.5
Acquisitions	116.5	247.3	342.3
Disposals	15.5	0.0	13.3
Dividends	176.7	176.8	87.2
Free Cash Flow (FCF)	210.2	236.2	104.4
FCF adjusted	-67.6	-187.9	-311.8
Key Ratios			
EBITDA margin (%)	76.4	74.3	73.6
Net margin (%)	94.2	73.0	48.7
Gross debt to EBITDA (x)	6.1	6.7	7.8
Net debt to EBITDA (x)	5.6	6.2	7.4
Gross Debt to Equity (x)	0.53	0.56	0.69
Net Debt to Equity (x)	0.49	0.53	0.65
Gross debt/total capitalisation (%)	34.8	36.1	40.9
Net debt/net capitalisation (%)	32.9	34.6	39.5
Cash/current borrowings (x)	0.77	1.89	0.30
EBITDA/Total Interest (x)	8.1	7.4	6.5

Source: Company, OCBC estimates

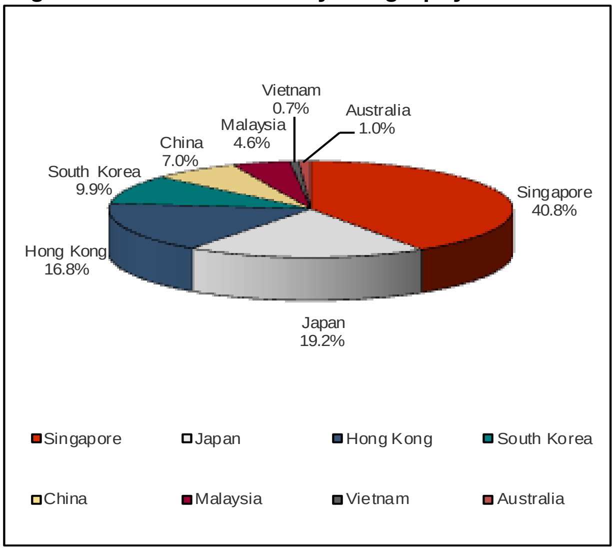
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Geography - 1H2016



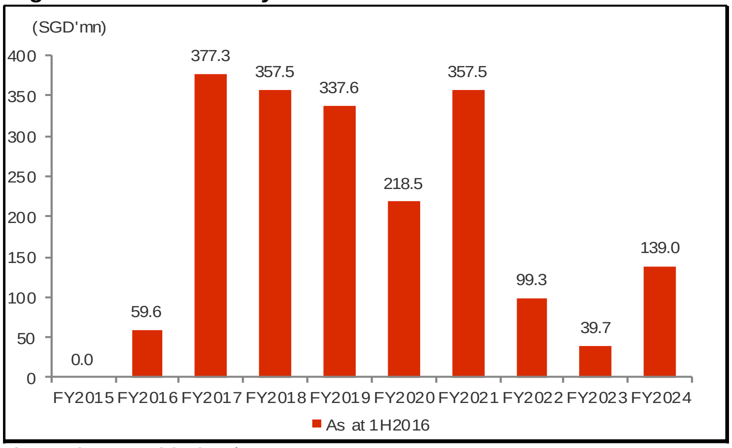
Source: Company

Figure 2: NPI breakdown by Geography - 1H2016



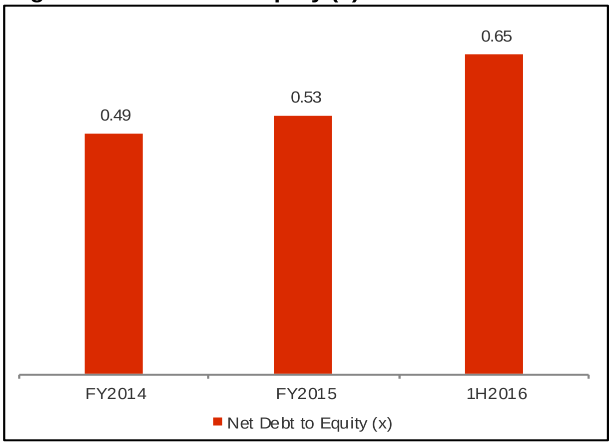
Source: Company

Figure 3: Debt Maturity Profile



Source: Company, OCBC estimates

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We have downgraded NCLSP'17 (early October) and NCLSP'18 (early November) to Neutral given the challenging environment and negative technical factors weighing on the bonds. Continued weakness in 3Q2015 results released mid-November further reinforces the downtrend.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **NCLSP**

Company profile

Nam Cheong Limited ("NCL") is an offshore marine group in Malaysia with an operating history of over 25 years in the Offshore Support Vessels ("OSV") segment. Its primary business is shipbuilding, with its product range including AHTS, PSVs, Accommodation Workboats, Barges and Safety Standby Vessels. For 9M2015, ~95% of NCL's revenues were derived from shipbuilding while vessel chartering accounts for ~5%. The company is substantially controlled by Chairman Datuk Tiong Su Kouk with a total interest of 51.3%. The firm has been listed on the SGX since 2011.

Nam Cheong Limited

Key credit considerations

- **Continued weakness in 3Q2015**: Revenue was even softer than 2Q2015, falling 69.4% y/y and 1.8% q/q to MYR189.3mn. Shipbuilding revenue slumped to MYR182mn with the completion and delivery of just 2 vessels during 3Q2015 (was 6 vessels in 3Q2014). Management believes that the environment will remain soft due to weak energy prices, impacting vessel sales. This is a challenge given their need to clear their BTS vessels. Like the previous quarter, negative product mix (more BTO versus BTS) squeezed Shipbuilding gross margins (fell 10ppt y/y to 14%). The vessel chartering segment was even more stretched, generating a gross loss due to lower utilization. As a result, total gross margin plunged to just 11% (compared to 24% in 3Q2014). The sharp margin compression drove net profit to just MYR0.4mn. In our view, NCL will continue to face pressure in the near future due to the challenging environment.

- **Slowly declining order book**: NCL's order book has shrunk from MYR1.7bn (end-2014) to MYR1.4bn (end-3Q2015) with deliveries through 2016. The last time NCL announced new sale contracts was the two vessels (worth USD58mn) sold in March 2015. An increasing area of risk would be client stress or opportunism, with clients seeking delivery delays, or even finding excuses to cancel orders. Management is attempting to mitigate the situation by delaying some vessel deliveries from their partner Chinese shipyards. Previously, NCL had 30 vessels (includes both BTO and BTS) to be delivered through 2016.

- **Cash burn elevated**: NCL's cash burn is a concern. Though there was some relative improvement in 3Q2015, operating cash flow remains negative, with NCL generating negative MYR296.3mn (2Q2015) and negative MYR216.1mn (3Q2015) in operating cash flow. This was mainly driven by working capital needs such as additions to inventory (due to deliveries of BTS vessels). Change in inventory accounted for ~MYR440mn in working capital needs for 9M2015. With clients likely to request for delivery delays, or better terms of payment, coupled with on-going BTS vessel additions to inventory, working capital would continue to be a drag. For 9M2015, FCF was negative MYR592.8mn.

- **Leverage profile deterioration**: For 3Q2015, the cash gap was funded by additional borrowings (including a SGD75mn bond issue in July), with gross debt increasing MYR340.2mn to MYR1.94bn. As a result, net gearing crept higher from 83% (end-1H2015) to 97% (end-3Q2015). NCL ended the period with slightly more cash (MYR614.8mn) due to the bond issue, but part of it is earmarked for the November SGD110mn bond maturity (fully redeemed on 05/11/15). Due to the weak EBITDA, net debt / EBITDA worsened further from 8.9x (end-1H2015) to 14.4x (end-3Q2015).

- **Liquidity is a concern**: With the November 2015 bonds redeemed, NCL does not have any bonds maturing till the SGD90mn bond due August 2017. That said, they still have MYR504.5mn (~SGD160mn) worth of secured borrowings due over the next 12 months. On average, quarterly operating cash flow has been negative MYR200mn during 9M2015. Against this, NCL has about ~MYR275mn in cash (after adjusting for the bond maturity). We expect that NCL has to be more aggressive with its vessel sales to meet its liquidity needs. With limited room for its interest coverage covenant (semi-annual test period), early January 2016, NCL has initiated a consent solicitation exercise for covenant relief. We have already downgraded NCL's Issuer Profile rating to **Negative** post the weak 3Q2015 results.

Nam Cheong Limited

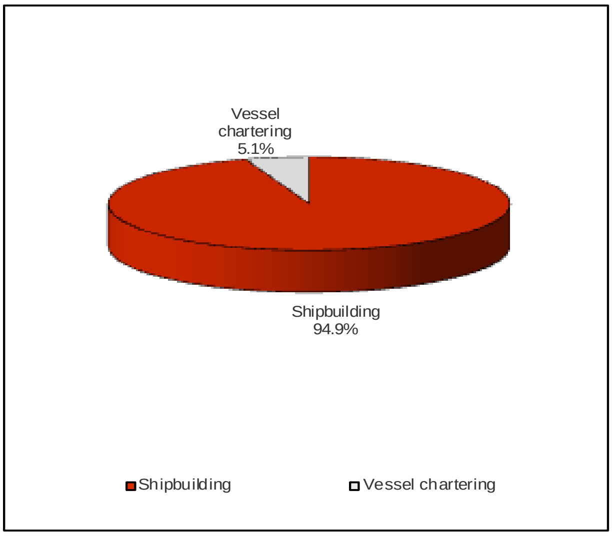
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	9M2015
Income Statement (MYR'mn)			
Revenue	1,257.4	1,928.6	708.2
EBITDA	211.9	306.6	69.3
EBIT	198.9	289.0	53.4
Gross interest expense	33.6	53.5	59.0
Profit Before Tax	199.2	303.3	52.4
Net profit	205.6	301.8	50.0
Balance Sheet (MYR'mn)			
Cash and bank deposits	362.0	800.1	614.8
Total assets	2,179.2	3,252.4	4,055.7
Gross debt	851.2	1,309.3	1,941.3
Net debt	489.1	509.2	1,326.5
Shareholders' equity	938.6	1,219.3	1,371.1
Total capitalization	1,789.8	2,528.7	3,312.4
Net capitalization	1,427.8	1,728.6	2,697.6
Cash Flow (MYR'mn)			
Funds from operations (FFO)	218.7	319.5	65.8
CFO	-229.6	167.9	-591.3
Capex	44.0	6.1	1.5
Acquisitions	0.2	117.4	0.0
Disposals	7.3	148.3	0.1
Dividend	25.9	54.7	84.9
Free Cash Flow (FCF)	-273.6	161.8	-592.8
FCF adjusted	-292.4	138.0	-677.6
Key Ratios			
EBITDA margin (%)	16.9	15.9	9.8
Net margin (%)	16.4	15.6	7.1
Gross debt to EBITDA (x)	4.0	4.3	21.0
Net debt to EBITDA (x)	2.3	1.7	14.4
Gross Debt to Equity (x)	0.91	1.07	1.42
Net Debt to Equity (x)	0.52	0.42	0.97
Gross debt/total capitalisation (%)	47.6	51.8	58.6
Net debt/net capitalisation (%)	34.3	29.5	49.2
Cash/current borrowings (x)	1.50	1.44	0.73
EBITDA/Total Interest (x)	6.3	5.7	1.2

Source: Company, OCBC estimates

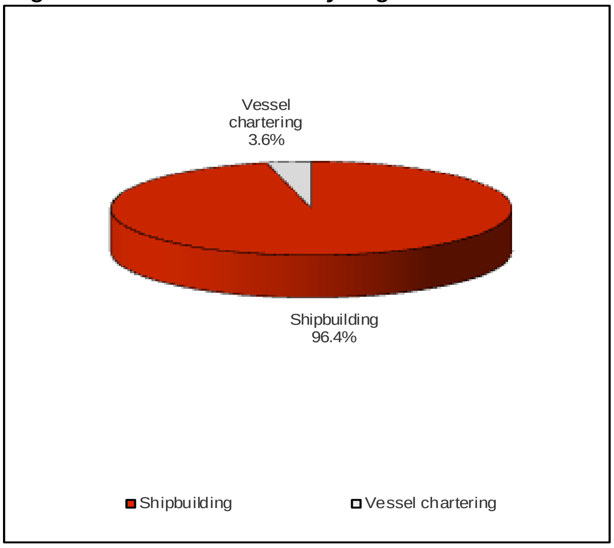
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: PBT breakdown by Segment - 9M2015



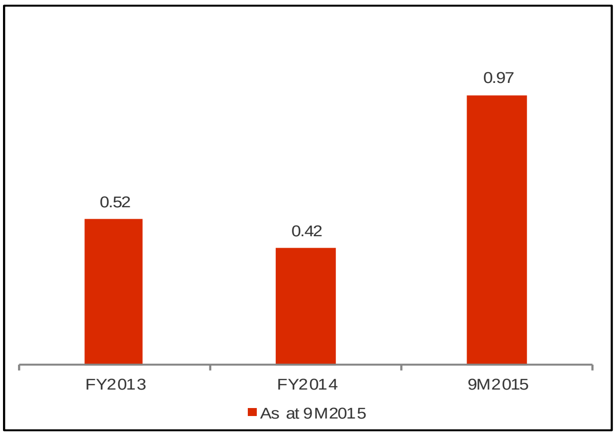
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (MYR'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	504.5	26.0%
Unsecured	339.8	17.5%
	844.3	**43.5%**
Amount repayable after a year		
Secured	209.5	10.8%
Unsecured	887.5	45.7%
	1097.0	**56.5%**
Total	**1941.3**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – The NOLSP curve will face near-term volatility given the transition in ownership. That said, we are Overweight the NOLSP'17 and NOLSP'19 given the CoC step-up of 150bps and the relatively short duration of the bonds. Before the step-up, the bonds are already trading at YTM of 5.9% and 8.4% respectively.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **NOLSP**

Company profile

Neptune Orient Lines Ltd ("NOL") is the 12th largest container liner globally, operating under the brand APL. APL is part of the G6 Alliance (the world's largest container liner alliance). APL offers more than 80 weekly services at 160 ports worldwide. Since 2015, NOL has exited its logistics business, APL Logistics. NOL is currently 66.9% owned by Temasek Holdings, though CMA CGM has since made a conditional offer (which Temasek accepted) for the entire NOL. If the deal closes, CMA CGM will seek to delist NOL.

Neptune Orient Lines Ltd

Key credit considerations

- **CMA CGM makes offer for NOL**: CMA CGM has made a pre-conditional voluntary general offer for all the shares of NOL, at the price of SGD1.30 per share, to be paid in cash. NOL's board has unanimously approved of the deal, and Temasek has irrevocably undertaken to tender their 66.8% stake into the offer. It is CMA CGM's intent to delist and make NOL a wholly-owned subsidiary (should they achieve more than 90% ownership). Currently, CMA CGM is resolving the pre-conditions for the acquisition (mainly antitrust concerns), with the target of closing by July / August 2016. It is CMA CGM's intent to secure its #3 global liner positioning with the acquisition of NOL (given looming competition), as well as leverage off synergies based on NOL's stronger positioning in certain trade routes. The combined entity would generate ~USD22bn in total revenue. Temasek is supportive of the sale, as they believe that the merger would "*enhance Singapore's position as a key maritime hub and grow Singapore's container throughput volumes*".

- **Implications for NOL bondholders:** Since mid-July 2015, when it was reported Temasek intends to exit its stake in NOL, the NOL curve has sold off with investors concerned over NOL losing its "government-linked" status. The sizable Temasek ownership had helped NOL tap capital markets to fund its USD4bn fleet modernization capex the last few years, despite NOL's poor operating performance (given the challenging environment). Unsurprisingly, announced sale of NOL has caused NOL's curve to re-rate sharply riskier.

- **3Q2015 was challenging for NOL**: NOL saw revenue fall 28.8% y/y to USD1.21bn, and decline 8.9% q/q. Volume fell 11% y/y while average revenue/FEU fell 21% y/y to USD1847. The industry continues to be pressured by overcapacity and soft demand, with the Shanghai Containerized Freight Index down ~40% y/y as of end-3Q2015. NOL's management cited the lack of "the traditional third quarter peak season in Europe and North America" leading to severe freight rate erosion. Void sailings have also pressured revenue.

- **Poor freight rates overwhelm cost saving gains**. Gross margin fell from 6.9% (3Q2014) to 3.8% (3Q2015). Though lower bunker prices (USD106mn impact) and the cost savings program (USD80mn impact), coupled with lower variable cost (USD83mn) reduced expenses relative to 3Q2014, these savings were insufficient to counter the contraction in volume (negative USD77mn impact) and rates (negative USD265mn impact), resulting in -USD66mn in core EBIT losses (compared to USD7mn gain in 3Q2014). In fact, the Liner business actually contributed USD33mn in core EBIT during 1H2015, before 3Q2015 results wiped out these gains. There are probably limited cost cutting options left, hence sustained profitability is tied to the recovery of global container freight rates.

- **Seeking equilibrium:** With CMA CGM borrowing and using its cash coffers for the acquisition, we believe the combined entity will face near-term higher leverage (we estimate pro-forma net gearing of ~150% and a net debt to EBITDA of 4.3x) though over the long term CMA CGM NOL will be stronger. Technical factors are poor with investors rotating out and the market still re-calibrating the NOL curve. That said we expect CMA CGM to resume deleveraging its balance sheet post the acquisition. CMA CGM has also showcased its ability to tap capital markets. In aggregate, though NOL may no longer be owned by Temasek, NOL will instead be part of a much larger, more efficient and profitable player in the sector. As such, we will retain NOL's Issuer Profile at **Neutral**.

Neptune Orient Lines Ltd

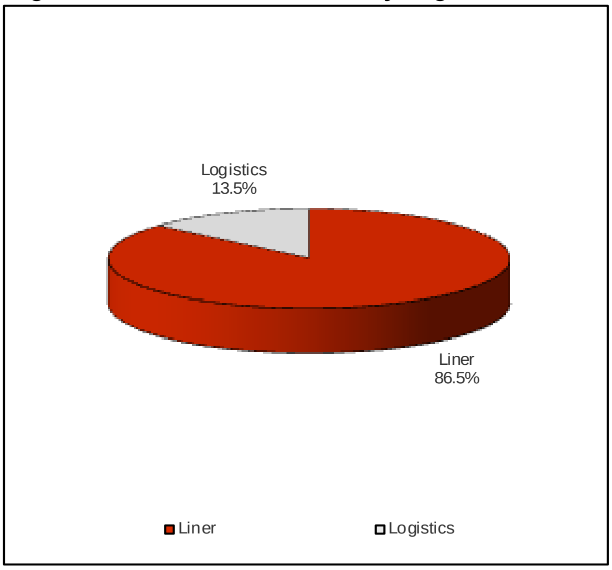
Table 1: Summary Financials

Year Ended 26th Dec	FY2013	FY2014	9M2015
Income Statement (USD'mn)			
Revenue	8,831.2	8,616.8	4,105.4
EBITDA	117.2	278.4	231.8
EBIT	-199.9	-114.1	-47.9
Gross interest expense	50.7	125.9	96.4
Profit Before Tax	-15.8	-216.9	787.6
Net profit	-76.3	-259.8	782.7
Balance Sheet (USD'mn)			
Cash and bank deposits	981.0	1,225.8	248.7
Total assets	9,029.0	9,099.6	7,104.1
Gross debt	4,865.9	5,291.4	2,873.0
Net debt	3,885.0	4,065.6	2,624.3
Shareholders' equity	2,130.8	1,807.9	2,542.5
Total capitalization	6,996.8	7,099.3	5,415.5
Net capitalization	6,015.8	5,873.5	5,166.8
Cash Flow (USD'mn)			
Funds from operations (FFO)	240.9	132.7	1,062.4
CFO	31.6	68.8	297.6
Capex	1,308.0	350.3	96.8
Acquisitions	23.8	28.1	19.9
Disposals	442.9	68.5	1,158.9
Dividends	3.0	4.2	2.2
Free Cash Flow (FCF)	-1,276.4	-281.6	200.8
* FCF Adjusted	-860.3	-245.3	1,337.5
Key Ratios			
EBITDA margin (%)	1.3	3.2	5.6
Net margin (%)	-0.9	-3.0	19.1
Gross debt to EBITDA (x)	41.5	19.0	9.3
Net debt to EBITDA (x)	33.1	14.6	8.5
Gross Debt to Equity (x)	2.28	2.93	1.13
Net Debt to Equity (x)	1.82	2.25	1.03
Gross debt/total capitalisation (%)	69.5	74.5	53.1
Net debt/net capitalisation (%)	64.6	69.2	50.8
Cash/current borrowings (x)	1.6	2.0	0.5
EBITDA/Total Interest (x)	2.3	2.2	2.4

Source: Company, OCBC estimates

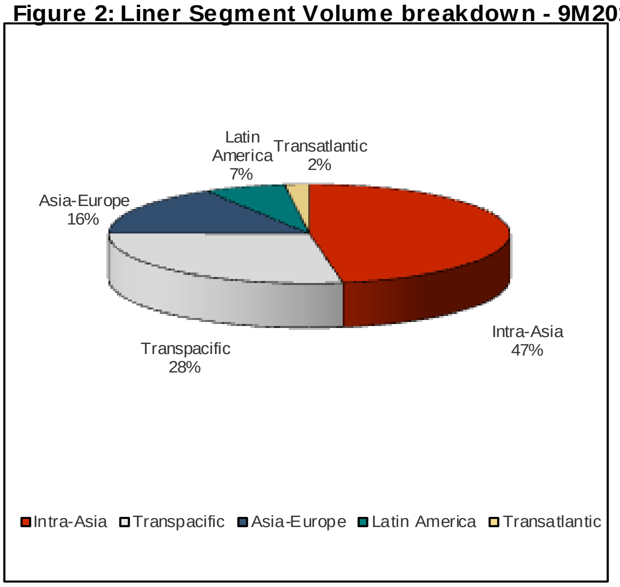
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



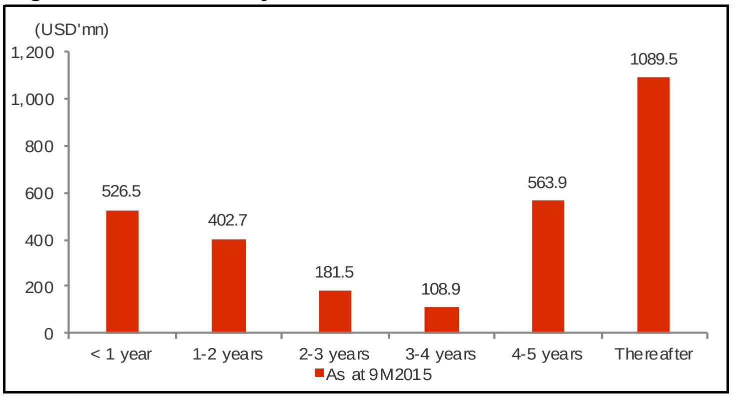
Source: Company

Figure 2: Liner Segment Volume breakdown - 9M2015



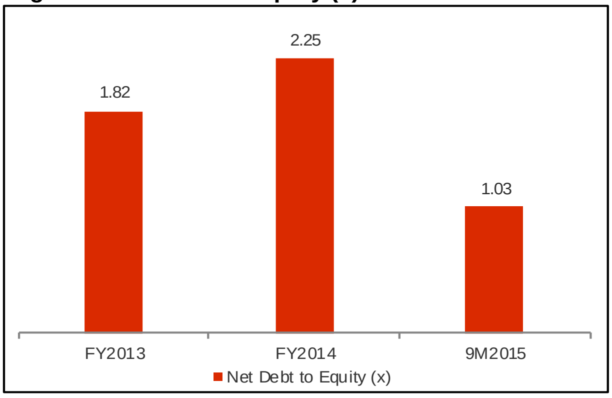
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We continue to be Underweight the OTMLSP'16s given the looming bond maturity, challenging operating environment and uncertain capital market access.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **OTMLSP**

Company profile

OTML is an offshore marine firm. It has been listed on the SGX since March 2008. The firm's main business segments include OSV chartering, shipyard and subsea services. The firm has a fleet of 50 OSVs, with an average age of ~5 years. The firm has shifted its strategic focus in recent years, having pushed strongly into the OSV chartering space via its acquisition of Go Marine in 2011. The shipyard segment has since reoriented away from newbuilds. Mr Yaw Chee Siew, the Executive Chairman, controls ~61% of the firm.

Otto Marine Ltd

Key credit considerations

- **3Q2015 saw pressure across all segments:** Revenue fell 35.0% y/y to USD63.0mn for 3Q2015. The OSV chartering segment faced a 26.0% decline y/y to USD55.1mn, driven by a smaller fleet (OTML has reduced its owned and chartered fleet from 59 vessels at the beginning of the year, to 50 vessels as of end-3Q2015) as well as lower charter rates. This was an outcome of OTML's strategy of trimming its fleet size by selectively replacing chartered vessels as well as selling older, lower tonnage vessels. This has also helped improve fleet utilization, which increased steadily from 61.9% (end-1Q2015) to 74.0% (end-2Q2015) to 81.5% (end-3Q2015). This was distinctly the reverse of the trend of OTML's peers facing decreasing utilization. Shipyard revenue plunged 75.8% y/y to just USD3.8mn for the quarter, with OTML de-emphasizing the building of newbuilds and focusing on lower risk (and lower margin) activities such as repair, maintenance and conversion works. The subsea segment remains challenged by the slump in upstream activity. For 9M2015, revenue was relative flat y/y, benefitting from the sale of the Go Perseus vessel recognized in 1Q2015.

- **Utilization not translating into profits:** Despite the improvements to utilization, gross margin for the OSV chartering segment fell to 15.4% (3Q2015) compared to 17.1% (3Q2014). On a q/q basis, gross margins were even lower relative to the 25.8% seen in 2Q2015. OTML could potentially be accepting lower charter rates in exchange for keeping utilization high. The shipyard segment generated a gross loss during the quarter, due to the low revenue recognized during the quarter, while the subsea division generated gross margin of 45.9% due to higher utilization. In aggregate, though OTML was able to generate an operating profit of USD5.4mn for the quarter, due to high finance costs (USD10.5mn for the quarter), this drove OTML into a net loss of USD5.1mn, the 4th consecutive quarterly loss seen by OTML. With margins at OTML's largest segment, OSV chartering, looking to remain pressured due to the challenging environment, it is unlikely that OTML will be able to recover to sustained profitability in the near future.

- **Order book & capex profile:** The OSV chartering order book has declined from USD322mn (end-2014) to USD281mn (~1.1x 2014 segment revenue). About ~60% of the contract value are expected to be executed over the next 12 months (as at end-3Q2015). Since then, OTML won a further USD26mn for its new work maintenance vessel (expected delivery during 4Q2015). In aggregate, OTML still has 6 more vessels to be delivered over 2016 - 2018.

- **Vessel sale supported cash flow:** The ~USD90mn sale of the GO Perseus helped support operating cash flow during 9M2015, resulting in positive free cash flow of USD22.5mn despite the net losses generated during the period. Looking forward though, without vessel sales, operating cash flow is likely to be pressured. For example, 3Q2015 operating cash flow net of interest service was flat. With committed vessel deliveries, this would drive free cash flow negative. EBITDA / interest coverage remains weak at 1.1x (9M2015) while cash is able to cover just 18% of near-term borrowings (including the SGD70mn bond maturity on 01/08/16).

- **Regarding leverage and covenants:** OTML remains highly leveraged, ending 9M2015 with a net gearing of 201%, comparable to 195% as at end-2014. With the challenging environment, it is unlikely that OTML's credit profile will improve in the near future. As such, we reiterate our **Negative** Issuer Profile rating. The recent successful consent solicitation has provided OTML with more covenant headroom, though the bigger challenge would be refinancing its looming bond maturity.

Otto Marine Ltd

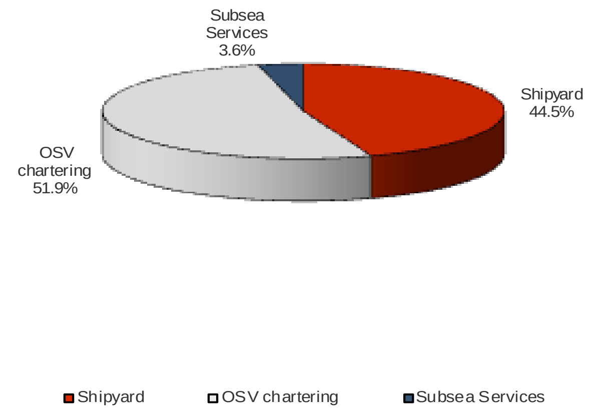
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	9M2015
Income Statement (USD'mn)			
Revenue	512.0	355.9	282.2
EBITDA	-21.0	13.0	33.0
EBIT	-43.9	-18.6	3.2
Gross interest expense	33.8	33.6	29.8
Profit Before Tax	15.4	-39.2	-19.4
Net profit	14.1	-41.5	-21.4
Balance Sheet (USD'mn)			
Cash and bank deposits	48.0	29.6	31.5
Total assets	1,281.7	1,213.5	1,325.4
Gross debt	543.2	538.6	526.8
Net debt	495.1	509.0	495.3
Shareholders' equity	304.0	260.6	246.9
Total capitalization	847.1	799.2	773.7
Net capitalization	799.1	769.6	742.2
Cash Flow (USD'mn)			
Funds from operations (FFO)	37.0	-9.9	8.4
CFO	81.1	16.5	65.0
Capex	78.6	76.8	42.5
Acquisitions	0.0	0.0	0.0
Disposals	35.4	8.9	0.0
Dividend	0.0	3.3	0.0
Free Cash Flow (FCF)	2.5	-60.3	22.5
FCF adjusted	37.9	-54.7	22.5
Key Ratios			
EBITDA margin (%)	NM	3.6	11.7
Net margin (%)	2.7	NM	NM
Gross debt to EBITDA (x)	NM	41.5	12.0
Net debt to EBITDA (x)	NM	39.2	11.3
Gross Debt to Equity (x)	1.8	2.1	2.1
Net Debt to Equity (x)	1.6	2.0	2.0
Gross debt/total capitalisation (%)	64.1	67.4	68.1
Net debt/net capitalisation (%)	62.0	66.1	66.7
Cash/current borrowings (x)	0.2	0.2	0.2
EBITDA/Total Interest (x)	NM	0.4	1.1

Source: Company, OCBC estimates

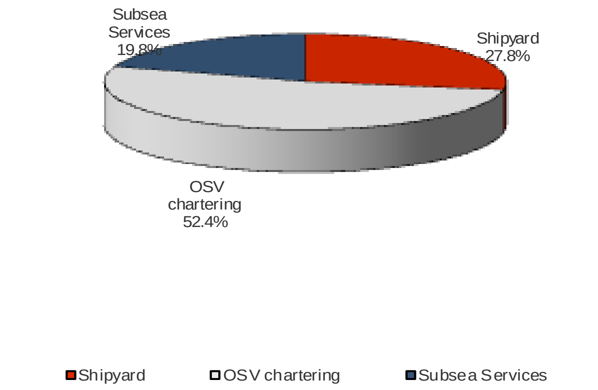
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Gross breakdown by Profit Segment - 9M20



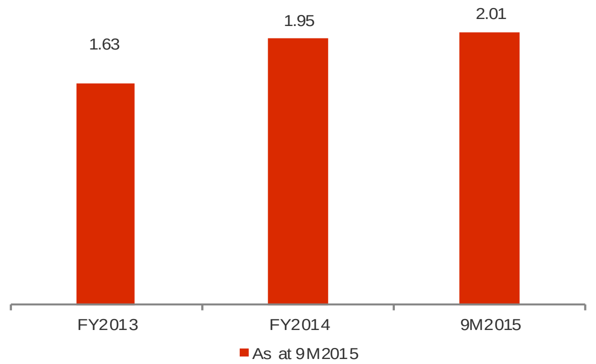
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (USD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	94.2	18.1%
Unsecured	77.9	14.9%
	172.2	**33.0%**
Amount repayable after a year		
Secured	314.0	60.2%
Unsecured	35.8	6.9%
	349.8	**67.0%**
Total	**522.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Catalyst for deleveraging this year could come from the completion of Crowne Plaza Changi Airport extension. Although OUE's earnings capacity remains weak, the company is flush with cash which could potentially be used to pare down debt. We like the 19c-16 at YTC of 4.50% and YTM of 3.72%.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **OUESP**

Company Profile

Incorporated in 1964, OUE Ltd ("OUE") is a real estate developer and landlord with a real estate portfolio located at prime locations in Singapore (such as Orchard Road) and across the region. The group has diverse exposure across the office, hospitality, retail and residential property segments. OUE is the sponsor of OUE Hospitality Trust ("OUEHT") and OUE Commercial REIT ("OUECT"). The company is 68.0%-owned by the Lippo Group.

OUE Ltd

Key credit considerations

- **Weak residential sales:** OUE Ltd ("OUE") reported 3Q2015 revenue down 6.9% y/y to SGD99mn, mainly due to lack of contributions from property development (the company did not sell its remaining units in its sole residential project Twin Peaks which had its TOP in February 2015). However the hospitality division reported stable performance with revenue down slightly 1.5% y/y to SGD52.5mn while investment property performed strongly with revenue up 15% y/y to SGD43.7mn mainly due to higher occupancy at US Bank Tower. OUE's EBIT however was up 3.2% y/y to SGD39.5mn mainly due to increased contributions from equity-accounted investees. 9M2015 revenue was down 3.4% y/y to SGD302.6mn, while EBIT was down 6.2% y/y to SGD104.5mn. This was mainly due to a 48.2% decline in revenue contributions from property development (Twin Peaks) to SGD16.7mn although an 8.1% increase in investment property revenue was to SGD128.9mn mitigated that slightly.

- **Disposal of One Raffles Place:** In Oct 2015, OUE completed the disposal of its stake in One Raffles Place ("ORP") through the sale of its 50% stake in OUB Centre Ltd ("OUBC", owns 81.51% of ORP) to OUE Commercial Trust ("OUECT", 46.74% owned by OUE). OUECT also acquired an additional 33.33% stake from Kuwait Investment Office taking OUECT's ownership to 83.33%. Total value is SGD1.72bn for the 83.33% stake. OUE will receive SGD130.4mn in cash and SGD550mn in convertible preference purchase units which carry a coupon of 1% per annum and convertible to OUECT units at SGD0.841 after 4 years. Interestingly, One Raffles Place which was previously equity accounted (50% stake) becomes consolidated onto OUE's balance sheet after the sale as OUECT is consolidated despite OUE's interests dropping from 50% to 38.9%.

- **Deleveraging on capital recycling measures:** OUE continued to strengthen its balance sheet through capital recycling. Cash increased by SGD 256.3mn from end-2014 levels to SGD418.3mn mainly due to the divestment of Crowne Plaza Changi Airport to OUE Hospitality Real Estate Investment Trust and despite the SGD157.3mn investment in Gemdale. Net debt position decreased to SGD1.7bn from SGD1.9bn as of end-2014. Net gearing was 37.6%, down from 44% in 2014 and 57% in 2013. However, earnings capacity remains weak in relation to the company's debt load. LTM EBITDA/interest was 0.95x, down from 1.6x at the end of 2014.

- **Flush with liquidity but concerns about use of excess cash:** OUE has SGD376.1mn of investments in a mutual fund as at end-September 2015, and SGD418.3mn in cash (SGD548.67mn if factoring in cash receipts from One Raffles Place divestment) in addition to a SGD157.3mn investment in Gemdale Properties. OUE has only SGD157.3mn of short term debt as of 30 Sep 2015. We note that OUE's mutual fund investment generated losses of SGD7.2mn during 9M2015. We think that OUE could look to call its SGD200mn OUESP 4.25% 19c16 (callable at 102.125 in October 2016) given limited capex needs. Asset enhancement works at OUE Downtown and U.S. Bank Tower as well as construction on the Crowne Plaza Changi Airport Extension are on track to be completed by 2016 while there are no residential projects in the pipeline.

Overseas Union Enterprise

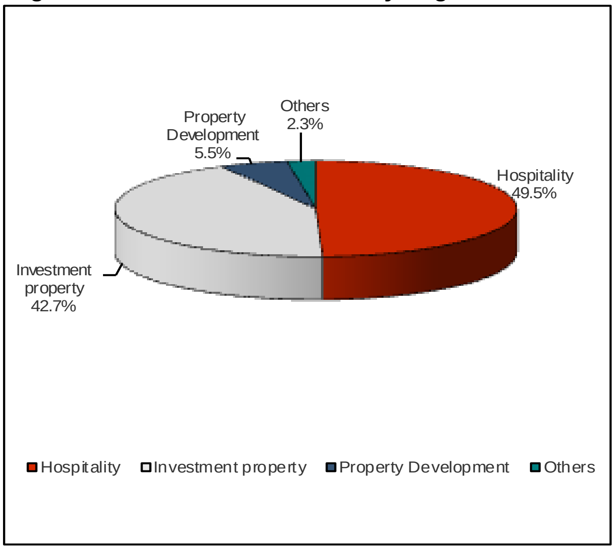
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	436.6	416.4	302.6
EBITDA	161.8	110.2	50.8
EBIT	139.6	98.0	47.9
Gross interest expense	111.6	80.7	61.6
Profit Before Tax	14.1	1,300.8	107.5
Net profit	-36.6	1,094.0	75.9
Balance Sheet (SGD'mn)			
Cash and bank deposits	730.6	162.0	418.3
Total assets	6,418.2	6,694.3	7,140.2
Gross debt	2,742.0	2,065.9	2,261.9
Net debt	2,011.4	1,904.0	1,843.6
Shareholders' equity	3,515.0	4,339.4	4,524.1
Total capitalization	6,257.0	6,405.4	6,785.9
Net capitalization	5,526.4	6,243.4	6,367.7
Cash Flow (SGD'mn)			
Funds from operations (FFO)	-14.3	1,106.2	78.8
CFO	103.8	39.8	29.7
Capex	8.0	13.3	4.0
Acquisitions	519.0	512.5	375.5
Disposals	115.2	-15.2	527.7
Dividend	263.9	59.1	35.0
Free Cash Flow (FCF)	95.8	26.5	25.7
FCF Adjusted	-571.8	-560.4	142.9
Key Ratios			
EBITDA margin (%)	37.1	26.5	16.8
Net margin (%)	-8.4	262.7	25.1
Gross debt to EBITDA (x)	16.9	18.7	33.4
Net debt to EBITDA (x)	12.4	17.3	27.2
Gross Debt to Equity (x)	0.78	0.48	0.50
Net Debt to Equity (x)	0.57	0.44	0.41
Gross debt/total capitalisation (%)	43.8	32.3	33.3
Net debt/net capitalisation (%)	36.4	30.5	29.0
Cash/current borrowings (x)	2.09	0.25	2.66
EBITDA/gross interest (x)	1.7	1.6	0.8

Source: Company, OCBC estimates

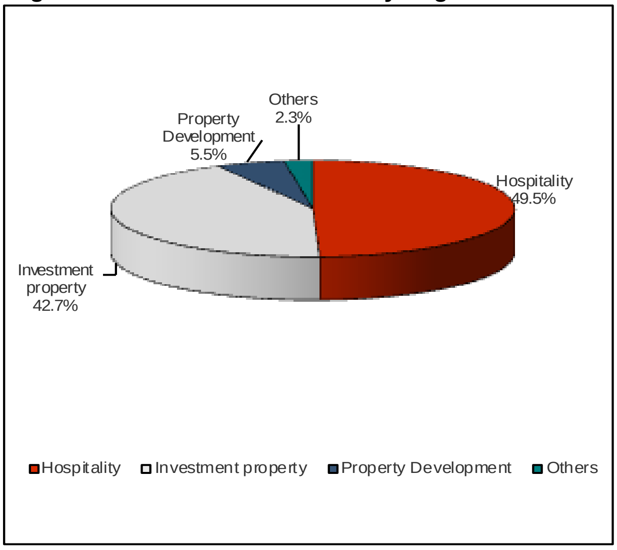
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Revenue breakdown by Segment - 9M2015



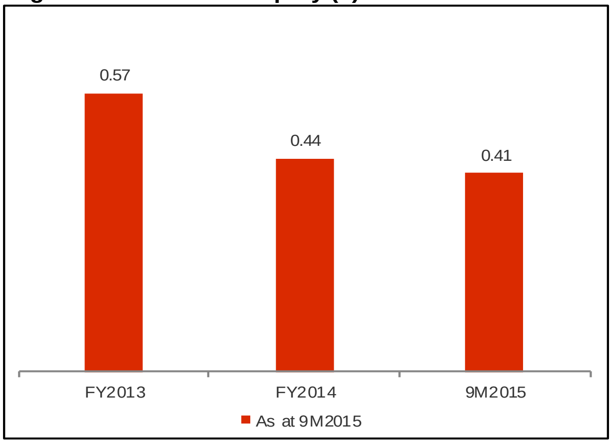
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	5.3	0.2%
Unsecured	152.0	6.7%
	157.3	**7.0%**
Amount repayable after a year		
Secured	1309.7	57.9%
Unsecured	794.8	35.1%
	2104.5	**93.0%**
Total	**2261.9**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Pacific Radiance Ltd

Credit Outlook – We remain Neutral on the PACRA'18. Though the bonds have a YTM of 11.0%, we see a stronger catalyst in EZRASP'18 (YTM: 12.6%) given the fresh liquidity infusion from the upcoming Chiyoda JV.

Issuer Profile: Negative

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **PACRA**

Company profile

Listed in 2013, PACRA is primarily an owner and operator of offshore support vessels. The firm currently operates more than 130 vessels. Its fleet is relatively young, with an average age of ~4 years. The majority of its revenue is generated from the Asia region. The firm also has a subsea division, which includes the utilization of two dive support vessels. The key shareholder and Chairman, Mr Pang Yoke Min, has more than 30 years of experience in the offshore marine sector, having co-founded Jaya Holdings in 1981, and managed it till 2006. He controls ~67% of PACRA.

Key credit considerations

- **Some revenue stabilization**: Though PACRA saw revenue decline by 23.9% y/y to USD33.8mn for 3Q2015, it declined by 2.9% on a q/q basis. The subsea segment (mainly DSVs) remains challenged, with segment revenue declining 57% y/y to USD2.5mn. That said, the worse may be over, as utilization improved from 3% (2Q2015) to 32% (3Q2015) with management indicating that clients have maintenance work that can't be delayed further. The OSV chartering segment continued to face a tough rate environment, with players trying to balance fleet utilization against marginal contracts. Both OSV as well as accommodation barges saw utilization decline ~10ppt q/q. As a result, segment revenue declined 15.0% q/q to USD27.8mn. In general, management believes that the issue for the sector is delayed, rather than eliminated demand. The focus for management is to secure / improve utilization for their fleet, despite the lower rates, as well as preserving cash flow. With the renewed slump in energy prices, we expect the OSV chartering sector to face continued pressure.

- **Gross profit pressured**: Gross margin has fallen sharply q/q from 29.2% (2Q2015) to 21.3% (3Q2015), though the compression is less pronounced relative to 3Q2014 (23.1%). Management stated that this was due to lower utilization across PACRA's fleet, as well as weak charter rates. Though PACRA has trimmed SG&A expenses by about 32% y/y, PACRA would have still ended the quarter with a net loss, if not for a ~USD6.5mn gain from the sale of two vessels (an AHTS and an accommodation work barge). The vessel gain helped PACRA generate a net profit of USD1.6mn (a decline of 89.0% y/y). Management has indicated that unlike some peers, PACRA has been disciplined in its newbuild program and have managed their costs well. This has provided the firm with some leeway when making tenders or when considering vessel divestments. That said, with the oversupply in certain OSVs given the slump in end demand, we can expect margins to remain tight in the near future. PACRA is looking to make more deployments in ASEAN, where they say the economics of some offshore energy reserves still make sense despite low oil prices.

- **Deteriorating credit profile**: During 9M2015, PACRA generated negative USD105.8mn in free cash flow, due to their USD140.8mn in capex (mainly vessel deliveries). This was funded via both a ~USD72mn increase in gross borrowings as well as USD43.5mn decline in cash balance, relative to end-2014. As a result, net gearing has increased sharply from 52% (end-2014) to 82% (end-3Q2015). Due to weakening earnings, net debt / EBITDA worsened from 4.4x (end-2014) to 8.5x (end-3Q2015). Looking forward, with about 6 ~ 7 newbuilds due for delivery in 2016 for about USD150 – 160mn in total capex, we believe that PACRA will continue to generate negative free cash flow, leading to a worsening credit profile. Crucial would be PACRA's success in securing contracts for these newbuilds (to support the servicing of vessel financing).

- **Liquidity pressure and implications of the recent consent solicitation:** We estimate EBITDA / interest coverage to be just 2.6x (3Q2015) compared to 5.7x (2014). Utilizing the EBITDA calculation as required by the covenant (which allows for gains from vessel divestment), EBITDA / interest coverage would be 4.1x for the quarter. With the consent solicitation successfully concluding, PACRA now has the mechanism to cure the covenant should they fail it come end-2015 (the next test period). With that said, we have downgraded PACRA's Issuer Profile to **Negative** during late October given the challenging outlook as signalled by the consent solicitation exercise. The subsequent 3Q2015 results have supported this view.

Pacific Radiance Ltd

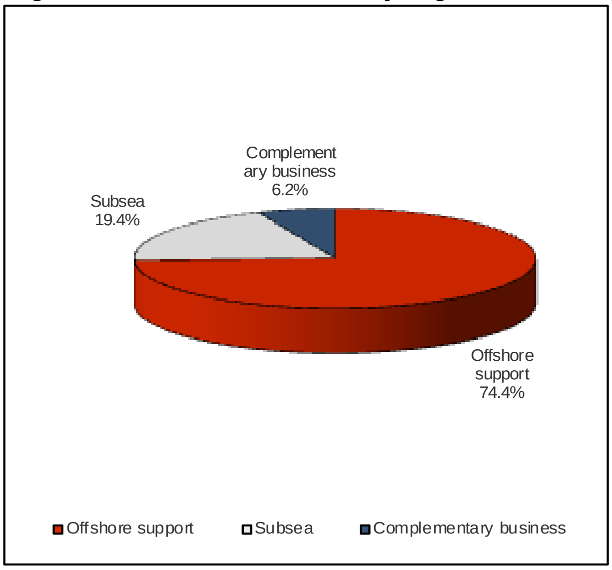
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (USD'mn)			
Revenue	168.6	172.2	100.1
EBITDA	61.0	51.7	30.2
EBIT	36.0	23.8	10.3
Gross interest expense	13.1	9.1	9.2
Profit Before Tax	56.8	68.3	8.9
Net profit	56.8	68.3	6.2
Balance Sheet (USD'mn)			
Cash and bank deposits	64.9	101.4	57.9
Total assets	745.9	839.5	906.7
Gross debt	292.9	328.1	399.8
Net debt	228.0	226.7	341.9
Shareholders' equity	377.5	431.9	417.4
Total capitalization	670.4	760.1	817.2
Net capitalization	605.5	658.6	759.3
Cash Flow (USD'mn)			
Funds from operations (FFO)	81.8	96.2	26.2
CFO	29.2	61.3	35.0
Capex	191.6	207.1	140.8
Acquisitions	-3.4	0.4	2.5
Disposals	79.0	169.1	3.0
Dividends	7.1	11.4	17.9
Free Cash Flow (FCF)	-162.4	-145.8	-105.8
* FCF Adjusted	-87.0	11.5	-123.2
Key Ratios			
EBITDA margin (%)	36.2	30.0	30.2
Net margin (%)	33.7	39.7	6.2
Gross debt to EBITDA (x)	4.8	6.3	9.9
Net debt to EBITDA (x)	3.7	4.4	8.5
Gross Debt to Equity (x)	0.78	0.76	0.96
Net Debt to Equity (x)	0.60	0.52	0.82
Gross debt/total capitalisation (%)	43.7	43.2	48.9
Net debt/net capitalisation (%)	37.7	34.4	45.0
Cash/current borrowings (x)	1.2	2.0	0.8
EBITDA/Total Interest (x)	4.7	5.7	3.3

Source: Company, OCBC estimates

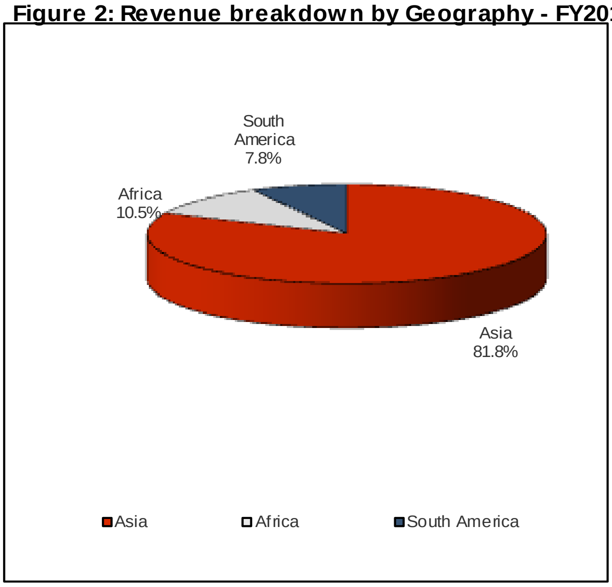
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2014



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



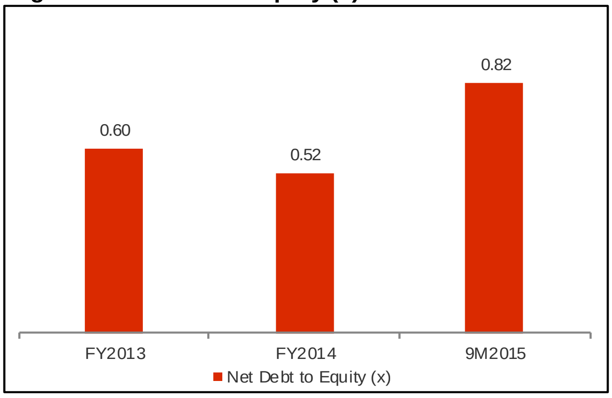
Source: Company

Figure 3: Debt Maturity Profile

Amounts in USD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	68.0	17.0%
Unsecured	0.9	0.2%
	68.9	**17.3%**
Amount repayable after a year		
Secured	256.5	64.3%
Unsecured	73.6	18.5%
	330.1	**82.7%**
Total	**399.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Capital requirements for PREH will remain elevated until its integrated assets in China stabilize and this caps deleveraging potential. Earnings capacity remains weak in relation to debt load. China residential developers offer more value at current levels.

Issuer Profile: Neutral

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: PREHSP

Company Profile

PREH was formed from a reverse take-over of St James Holdings Ltd in October 2014. PREH is now an integrated real estate owner and develop focused primarily in China and Singapore. PREH is developing large scale mixed-use developments in railway hubs of China while portfolio of stabilised office and retail assets in Singapore and China provide stable rental income. The company is 75.7%-owned by Mr Kuok, CEO of Wilmar, Mr Ron Sim CEO of OSIM, and Mr Pua, CEO of PREH. It has a market capitalisation of SGD1.62bn.

Perennial Real Estate Holdings

Key credit considerations

- **Currently in development-expansion phase:** PREH's maiden financial year will have 6 quarters ending 31 Dec 2015 after the RTO of St James on 28 Oct 2014. LTM results were characterised by stable income generation from PREH's portfolio of stabilised assets in Singapore and China while its major integrated developments in China are still in gestation. LTM revenue was SGD111mn with adjusted LTM EBITDA (stripping away one-time RTO costs of SGD11.4mn, fair value investment property gains and forex gains of SGD64.9mn and inclusive of JVs and associates) of SGD63.6mn which was just sufficient to cover interest expense of SGD53mn by 1.20x. Although PREH's mature assets in Singapore (such as majority owned Tripleone Somerset, CHIJMES, and AXA Tower) and China (2 retail malls and an integrated development in Shengyang) produce stable rental income, most of the company's projects are still under development. Out of total GFA on an attributable basis of 22.18mn sqft, 70% (55.2% China, 9.1% Malaysia, 4.2% Ghana, 1.2% Singapore) are in the development phase while 30% are completed (26.6% China, 3.7% Singapore). As such, capital requirements will be high before these projects become cash generating.

- **Expected strong support from sponsors:** Perennial Real Estate Holdings Ltd (PREH) can leverage on strong sponsors including Mr Kuok Khoon Hong (37.1% effective stake in PREH), Mr Ron Sim (15.4%), Wilmar International Ltd (13.1%) and Mr Pua Seck Guan (10.1%). These sponsors own about 75.7% of PREH as at 30 Sep 2015 and have business networks in China, Singapore and emerging markets where PREH has operations. The sponsors' combined investment experience and customer networks are a key source of strength in PREH's business profile.

- **Expansion into Ghana, Malaysia and medical services entail execution risks:** PREH has increased its exposure to alternative geographies and assets, entering into JVs to develop integrated projects in Ghana and Malaysia and medical services in China. While diversifying from Singapore and China is positive, we feel that these projects also increase execution risks. With that said, we take comfort that PREH benefits from the strong networks that sponsors have in these regions by collaborating with strong partners such as Shangri-La Asia.

- **Weak EBITDA generation insufficient to support capex requirements:** Given that most of its assets are in the development stage (~68% of attributable GFA), PREH's EBITDA generation is currently weak relative to undertaken leverage. The capital intensive nature of PREH's projects also means that the company has a large absolute amount of debt supporting these assets (SGD1.93bn including junior bonds and preference shares) although debt in the capital structure (32.8% gross debt/capitalisation) is manageable. As such, LTM adjusted debt/EBITDA is high while gross and net gearing look manageable. Adjusted net debt/EBITDA on a gross basis is 27.4x and 25.7x on a net basis. Gearing is 49% on a gross basis and 46% on a net basis. Adjusted EBITDA/interest coverage is weak, covering 1.2x of gross interest. PREH's liquidity profile is tight, with SGD104.95mn in cash insufficient to cover short-term debt of SGD199.94mn as of 30 Sep 2015. We note that while PREH generated positive operating cash flow of SGD51.68mn for 5QFY2015, this is insufficient to fund heavy capex requirements of SGD86.84mn and capital injections into associates of SGD113.8mn after servicing interest payments of SGD50.89mn. Capex has been funded by net increase in borrowings of SGD221.17mn so far and this is likely to remain the case until the assets in China stabilise.

Perennial Real Estate holdings Ltd

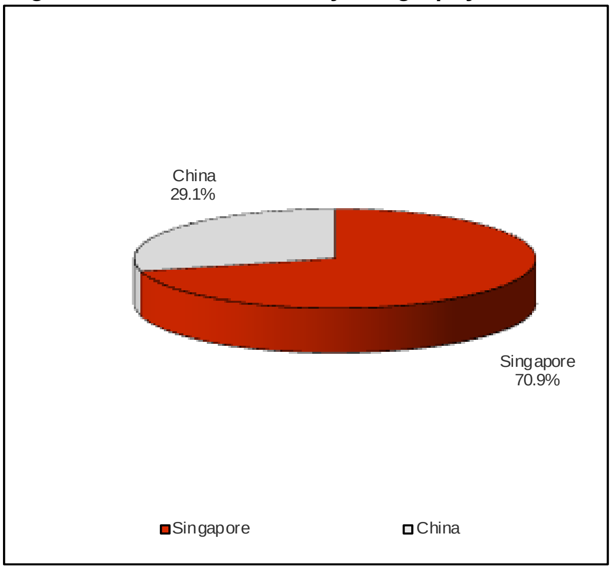
Table 1: Summary Financials

Year Ended 30th Jun	FY2014	FY2015	LTM
Income Statement (SGD'mn)			
Revenue	19	88	111
EBITDA	-1	26	35
EBIT	-3	23	32
Gross interest expense	0	38	53
Profit Before Tax	-6	57	63
Net profit	-6	33	38
Balance Sheet (SGD'mn)			
Cash and bank deposits	3	94	105
Total assets	9	6,202	6,351
Gross debt	0	1,870	1,931
Net debt	-3	1,776	1,826
Shareholders' equity	1	3,854	3,947
Total capitalization	1	5,724	5,878
Net capitalization	-1	5,629	5,773
Cash Flow (SGD'mn)			
Funds from operations (FFO)	-4	36	41
CFO	0	6	61
Capex	0	55	79
Acquisitions	0	-130	4
Disposals	0	0	0
Dividends	0	11	11
Free Cash Flow (FCF)	0	-48	-18
* FCF Adjusted	0	71	-33
Key Ratios			
EBITDA margin (%)	-4.5	29.4	31.5
Net margin (%)	-31.3	37.6	34.2
Gross debt to EBITDA (x)	0.0	72.3	55.2
Net debt to EBITDA (x)	3.2	68.6	52.2
Gross Debt to Equity (x)	0.00	0.49	0.49
Net Debt to Equity (x)	-2.02	0.46	0.46
Gross debt/total capitalisation (%)	0.0	32.7	32.8
Net debt/net capitalisation (%)	197.7	31.5	31.6
Cash/current borrowings (x)	NM	0.4	0.5
EBITDA/Total Interest (x)	-10.2	0.7	0.7

Source: Company, OCBC estimates

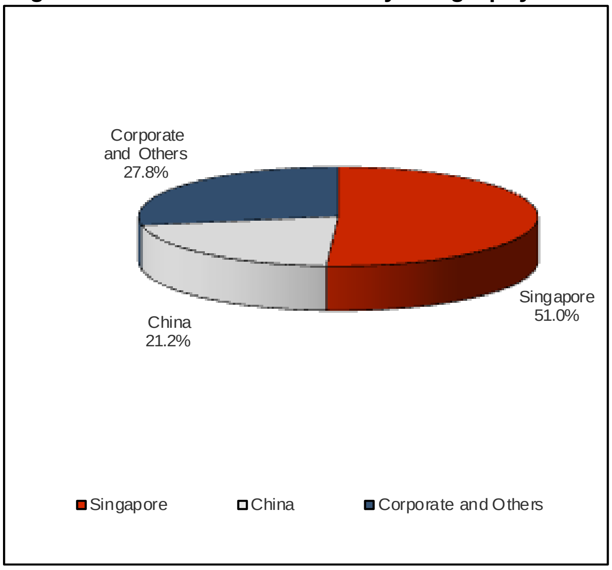
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: EBIT breakdown by Geography - LTM



Source: Company

Figure 2: Revenue breakdown by Geography - LTM



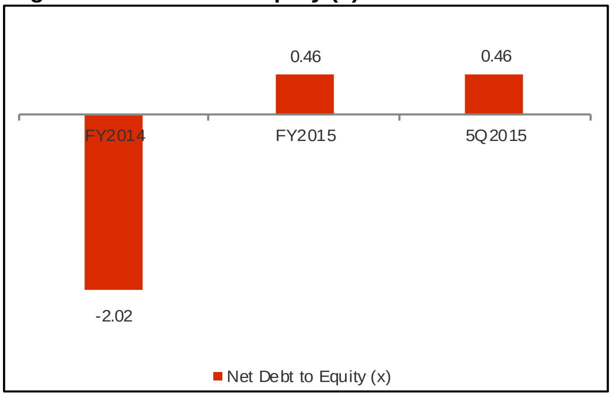
Source: Company

Figure 3: Debt Maturity Profile

Amounts in HKD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	70.1	4.0%
Unsecured	129.8	7.5%
	199.9	**11.5%**
Amount repayable after a year		
Secured	1147	66.0%
Unsecured	392.1	22.5%
	1539.1	**88.5%**
Total	**1739.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Sembcorp Industries Ltd

Credit Outlook – Since mid-2015, the SCISP'20 and SCISP'24 have fallen ~2ppt (~20bps widening in spread over swaps). Hence, we are upgrading the two bonds to Neutral. However, SCISP'26 has lagged the move and is now rich. We are now downgrading the bond to Underweight on valuation. In general, we prefer the KEPSP curve.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **SCISP**

Company profile

Sembcorp Industries Ltd ("SCI") was formed via the merger of Singapore Technologies Industrial Corporation and Sembawang Corporation in 1998. Today, SCI is focused on utilities (energy and water solutions), offshore marine (via its 61% stake in listed Sembcorp Marine ("SMM")) and urban development (focused on the development of industrial parks across the region). SCI has over 8,000 employees and generated SGD10.9bn in total revenue for 2014. Temasek Holdings is the largest shareholder of SCI, holding 49.5% stake.

Key credit considerations

- **No near-term boosts:** For 3Q2015, revenue fell 21.8% y/y to SGD2.4bn, driven by a sharp 34.0% y/y decline in marine revenue. The marine segment saw lower revenue recognition as some clients have deferred deliveries for their jackup rig orders. Intentional slowdown in the execution of the Sete Brasil contract has also decelerated revenue recognition. The utilities segment revenue also saw a y/y decline of 11.3% y/y driven by lower HSFO prices in the domestic power business. The utilities segment now contributes 48% of total 3Q2015 revenue, versus 47% by the marine segment. In 2014, the split was 45% and 54% respectively. For 9M2015, the decline in total revenue was less pronounced at 13.4% y/y (similar trends, though deterioration at the marine segment was sharper after 1H2015). Divestments in utilities are supportive of earnings and liquidity, but will weigh on revenue until the more nascent investments in India ramp up. We do not expect meaningful revenue recoveries in the near term, particularly given some idiosyncratic risks at the marine segment.

- **Utility divestments supported earnings:** For 9M2015, SCI saw its net profit (excluding corporate costs) mix shift from 40% marine, 60% non-marine (end-9M2014) to 30% marine, 70% non-marine. The utilities segment benefitted from SGD72.4mn in divestment gains (sale of municipal water assets in the UK and China). These kept utility net profits slightly up 3% y/y for 9M2015. Excluding these gains, utility net profits would have been down 21.7% y/y, driven by lower spark spreads pressuring the domestic power business. Their India power business, TPCIL, continues to generate losses (SGD12.3mn in 3Q2015) as it was only fully operational in 3Q2015 (SCI hopes for breakeven for the whole of 2015). SCI has announced that it is divesting its 40% stake in its Australia waste management JV for AUD485mn, booking a gain of ~SGD350mn in 4Q2015). Marine profit before tax fell 86.8% y/y for the quarter, with margin compression due to order deferments. Since then, the marine segment (as SMM) has provided profit guidance, indicating that it is expecting to generate a loss for 4Q2015.

- **O&M order cancellations / restructuring a concern:** During 4Q2015, SMM has faced both an order cancellation from Marco Polo Marine (for a jackup rig contract valued at USD214mn) which SMM is disputing, as well as a contract restructuring by North Atlantic Drilling (for a semi-sub worth USD568mn). The two events could result in revenue reversal for 4Q2015, as both these rigs are almost complete with revenue recognized. In mitigation, despite the challenging environment, SMM was able to grow its order book to SGD11.6bn as of 22/10/15 (from SGD11.4bn as of end-2014). Comparatively, KEP's O&M order book declined SGD2.5bn through 9M2015. Like KEP, SCI / SMM is significantly exposed to the uncertainty over the Sete Brasil contract in Brazil.

- **Liquidity and leverage pressure:** For 9M2015, SCI has generated about ~SGD1.4bn in negative free cash flow, paid ~SGD420mn in dividends / distributions and made ~SGD384mn in equity investments. To fund this, SCI increased borrowings by ~SGD1.3bn, issued ~SGD600mn in perpetual securities and ~SGD200mn from divestments. The additional borrowings have driven net gearing higher from 44% (end-2014) to 55% (end-3Q2015). Though work for Sete Brasil has slowed, we expect both the marine and utility business to continue to be negative free cash flow, causing leverage to deteriorate further. The AUD485 cash proceeds from the Australian divestment in 4Q2015 will help stem the deterioration, but 2016 remains challenging. We remain **Neutral** for now.

Sembcorp Industries

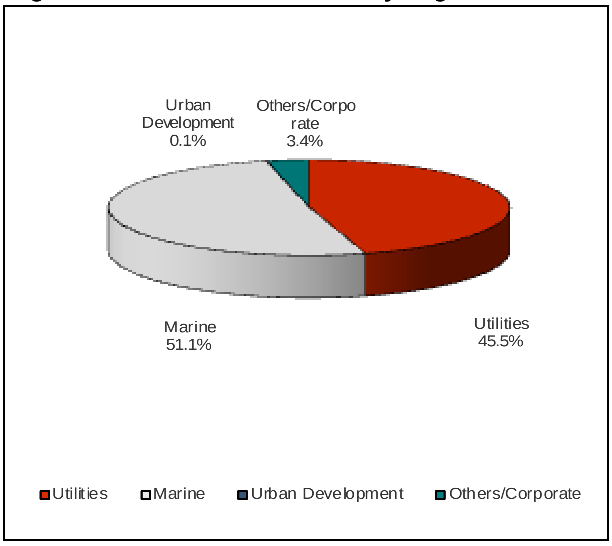
Table 1: Summary Financials

Year End 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	10,797.6	10,894.7	7,125.5
EBITDA	1,251.5	1,377.0	925.1
EBIT	948.2	1,062.2	636.1
Gross interest expense	117.9	70.1	152.7
Profit Before Tax	1,214.4	1,246.4	692.7
Net profit	820.4	801.1	488.1
Balance Sheet (SGD'mn)			
Cash and bank deposits	2,255.9	1,661.4	1,636.0
Total assets	13,753.9	17,176.4	19,262.5
Gross debt	1,955.8	4,841.1	6,225.1
Net debt	-300.1	3,179.6	4,589.1
Shareholders' equity	6,530.0	7,232.3	8,314.4
Total capitalization	8,485.8	12,073.3	14,539.5
Net capitalization	6,229.9	10,411.9	12,903.5
Cash Flow (SGD'mn)			
Funds from operations (FFO)	1,123.7	1,115.9	777.1
CFO	1,402.9	-119.8	-298.8
Capex	1,198.0	1,337.8	1,135.8
Acquisitions	290.8	267.6	381.1
Disposals	41.3	23.4	206.1
Dividend	412.6	549.1	420.1
Free Cash Flow (FCF)	204.9	-1,457.7	-1,434.6
FCF adjusted	-457.1	-2,251.0	-2,029.6
Key Ratios			
EBITDA margin (%)	11.6	12.6	13.0
Net margin (%)	7.6	7.4	6.8
Gross debt to EBITDA (x)	1.6	3.5	5.0
Net debt to EBITDA (x)	-0.2	2.3	3.7
Gross Debt to Equity (x)	0.30	0.67	0.75
Net Debt to Equity (x)	-0.05	0.44	0.55
Gross debt/total capitalisation (%)	23.0	40.1	42.8
Net debt/net capitalisation (%)	-4.8	30.5	35.6
Cash/current borrowings (x)	5.4	1.5	0.9
EBITDA/Total Interest (x)	10.6	19.6	6.1

Source: Company, OCBC estimates

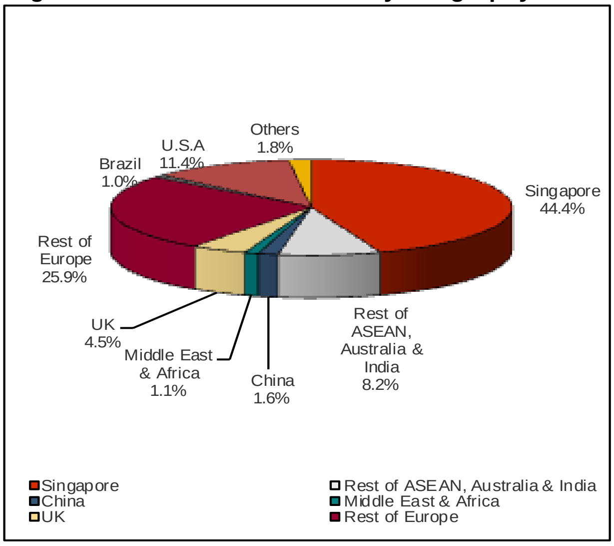
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Revenue breakdown by Geography - 9M2015



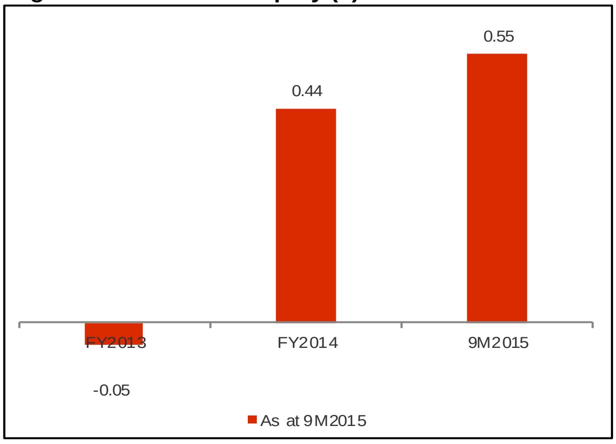
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	645.8	10.4%
Unsecured	1094.2	17.6%
	1740.0	**28.0%**
Amount repayable after a year		
Secured	1533.3	24.6%
Unsecured	2951.9	47.4%
	4485.2	**72.0%**
Total	**6225.2**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We will retain SPOST'20 at Neutral given the relative scarcity of rated short-dated paper. We also retain our Underweight on SPOST'49c22 as the perps do not seem to reflect SPOST's deteriorating credit profile.

Issuer Profile: Neutral

S&P: A *-

Moody's: Not rated

Fitch: Not rated

Ticker: **SPOST**

Company profile

Singapore Post Ltd ("SPOST") is the incumbent mail operator in Singapore and was granted the Public Postal License in 1992. Other business segments SPOST participates in include logistics and e-commerce solutions. Through Singapore Telecom Ltd and a few other corporations, Temasek Holdings has an indirect ownership of ~23% of SPOST. In 2014, Alibaba Group Holdings made a strategic acquisition of ~10% of SPOST. In July 2015, Alibaba announced subscribing to more new shares in SPOST, which will increase their stake to ~15%.

Singapore Post Ltd

Key credit considerations

- **More of the same:** SPOST saw strong revenue growth of 19.4% y/y to SGD263.2mn (end-2QFY2016). Like the previous periods though, growth was generated inorganically, via acquisitions. Excluding the impact of M&A, the issuer reported flat revenue growth. Acquisitions also helped increase the revenue contribution from overseas from 33% (end-FY2015) to 40% (end-1HFY2016).The mail segment saw revenue fall 5.6% y/y. This was driven by a couple of divestments during 1HFY2016. Excluding this, revenue was flat, with the postage revision in October 2014 helping to offset the secular decline in domestic traditional postal volume. The logistics segment revenue jumped 43.3% y/y (driven by the Famous Holdings and Couriers Please acquisitions) and contributed more than 50% of total revenue. Finally, the retail & eCommerce segment grew 7.1% y/y (again, with eCommerce services offsetting traditional retail and financial services decline). With the USD168.6mn acquisition of TradeGlobal (an eCommerce enablement solutions provider based in the USA) and USD15.8mn acquisition for 71% of Jagged Peak (a provider of eCommerce solutions), both announced in mid-October, we can expect the trend of moving away from the domestic business to persist.

- **Margin pressure continues**: With the shift away from the declining, but lucrative domestic mail business, gross margins have continued to compress: 34.1% (FY2014) to 31.5% (FY2015) to 28.4% (1HFY2016). Despite the strong growth, operating margin for the logistics segment was only 4.7% (though the quarter may be a partial quarter for the acquisitions). Note that profits were supported by the SGD24.9mn divestment gain from the sale of DataPost during the quarter. Netting out a further SGD8.5mn spent on M&A professional fees, underlying net profit actually fell 4.8% y/y for the quarter. In general, the new businesses (logistics, freight forwarding) that SPOST is moving into has lower margins relative to the legacy business. In addition, it may take some time for investments in these businesses to bear fruit.

- **Reorganization announced**: Post the TradeGlobal acquisition, SPOST announced that as of 01 Dec 15, it would have a new organization structure with four pillars: 1) eCommerce 2) postal (legacy postal plus international eCommerce deliveries) 3) logistics & operations (global eCommerce logistics plus Couriers Please) 4) corporate services (includes property development / management). The new structure may provide more transparency going forward. In addition, the CEO has recently stepped down, with SPOST currently seeking a replacement.

- **Aggressive use of cash**: SPOST continued to aggressively make acquisitions. In 3QFY2016, SPOST paid ~SGD260mn for TradeGlobal and Jagged Peak. It had generated negative SGD152.8mn in free cash flow during 1HFY2016 as well as paid out SGD109.72mn in dividends / distributions. For 2QFY2016, operating cash flow was negative due to working capital needs. These liquidity needs were all funded by SPOST's cash balance, which declined SGD239.3mn to SGD326.6mn in 2QFY2016 alone. Though Alibaba is investing a further SGD187.1mn in SPOST (bringing its shareholding to ~15%) plus an additional SGD92mn in a joint venture, the investments have been delayed till end-February 2016 at latest.

- **Further credit profile deterioration expected**: As of end-1HFY2016, SPOST had SGD238.8mn in gross debt. Adjusting the cash balance for the acquisitions and Alibaba investments, the firm would be net cash ~SGD107mn. However, with capex needs (such as the SGD150mn redevelopment of Singapore Post Centre) as well as dividend needs, we can expect SPOST to turn net debt in the near future. As such, we are downgrading SPOST to issuer profile **Neutral**.

Singapore Post Ltd

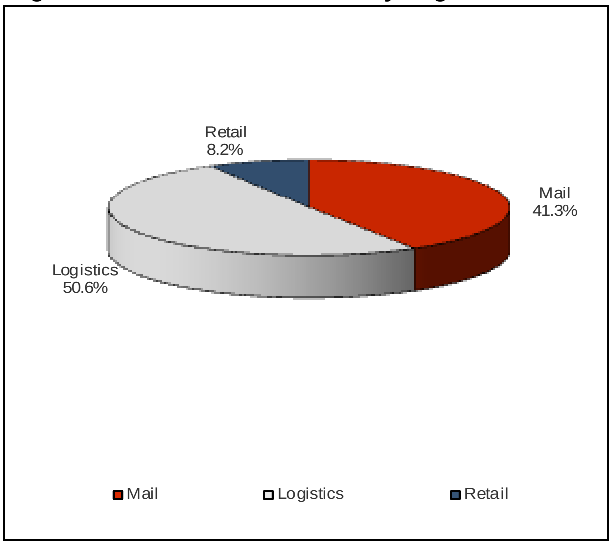
Table 1: Summary Financials

Year End 31st Mar	FY2014	FY2015	1H2016
Income Statement (SGD'mn)			
Revenue	821.1	919.6	517.8
EBITDA	170.9	169.1	74.7
EBIT	140.6	134.6	61.2
Gross interest expense	6.7	4.4	7.2
Profit Before Tax	227.7	192.5	121.1
Net profit	192.0	157.6	100.0
Balance Sheet (SGD'mn)			
Cash and bank deposits	404.4	584.1	326.6
Total assets	1,740.5	2,197.8	2,171.5
Gross debt	234.1	238.3	238.8
Net debt	-170.3	-345.8	-87.8
Shareholders' equity	1,114.5	1,467.7	1,463.2
Total capitalization	1,348.6	1,706.1	1,702.0
Net capitalization	944.2	1,121.9	1,375.4
Cash Flow (SGD'mn)			
Funds from operations (FFO)	222.2	192.2	113.5
CFO	229.5	230.2	17.9
Capex	37.8	104.4	170.7
Acquisitions	3.0	120.7	36.8
Disposals	1.4	11.0	52.5
Dividend	133.6	143.0	109.7
Free Cash Flow (FCF)	191.8	125.8	-152.8
FCF adjusted	56.5	-126.8	-246.9
Key Ratios			
EBITDA margin (%)	20.8	18.4	14.4
Net margin (%)	23.4	17.1	19.3
Gross debt to EBITDA (x)	1.4	1.4	1.6
Net debt to EBITDA (x)	NM	NM	NM
Gross Debt to Equity (x)	0.21	0.16	0.16
Net Debt to Equity (x)	NM	NM	NM
Gross debt/total capitalisation (%)	17.4	14.0	14.0
Net debt/net capitalisation (%)	NM	NM	NM
Cash/current borrowings (x)	28.8	34.5	16.8
EBITDA/Total Interest (x)	25.6	38.7	10.3

Source: Company, OCBC estimates

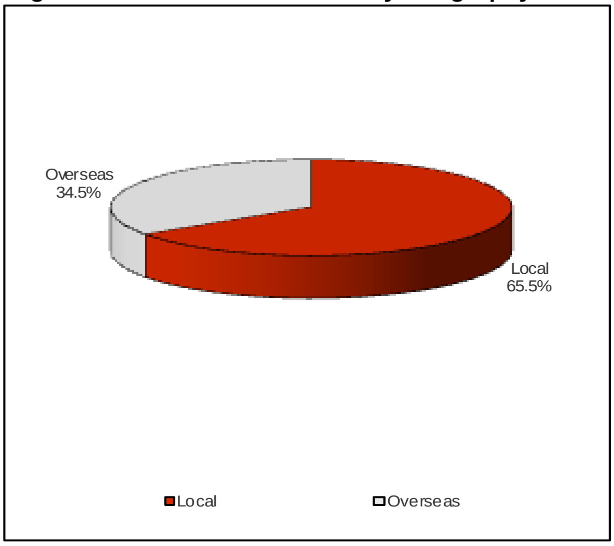
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2016



Source: Company

Figure 2: Revenue breakdown by Geography - FY2015



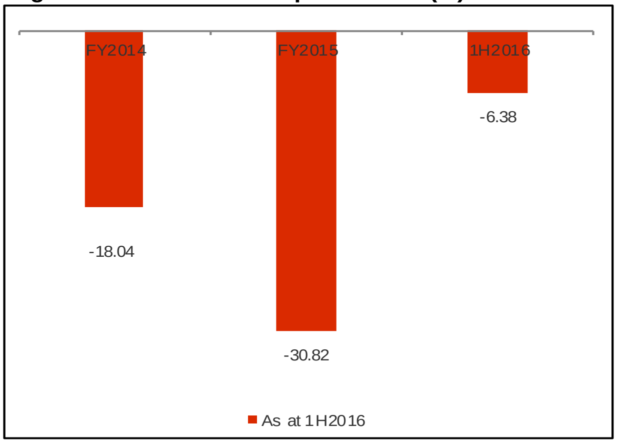
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	2.4	1.0%
Unsecured	17.0	7.1%
	19.4	**8.1%**
Amount repayable after a year		
Secured	16.0	6.7%
Unsecured	203.4	85.2%
	219.4	**91.9%**
Total	**238.8**	**100.0%**

Source: Company

Figure 4: Net debt/net capitalisation (%)



Source: Company, OCBC estimates

Credit Outlook – We consider the SGREIT'21 (42bps over swaps) and SGREIT'23 (55bps over swaps) to be fairly valued relative to peers.

Issuer Profile: Neutral

S&P: BBB+/Stable

Moody's: Not rated

Fitch: Not rated

Ticker: **SGREIT**

Company Profile

Listed on the SGX in September 2005, Starhill Global REIT ("SGREIT") invests primarily in real estate used for retail and office purposes, both in Singapore and overseas. It owns 13 mid to high-end retail properties in 5 countries, valued at SGD3.1bn as at 30 Jun 15. The properties include Wisma Atria (74.2% of strata lots) and Ngee Ann City (27.2% of strata lots) in Singapore, Starhill Gallery and Lot 10 in Malaysia, and 9 other malls in China, Australia and Japan. YTL Corp Bhd is SGREIT's sponsor and largest unitholder with a 37.1% stake.

Starhill Global Real Estate Investment Trust

Key credit considerations

- **Good start to the year:** 1QFY2016 (end-September) NPI grew 10.2% y/y to SGD43.6mn due to higher revenue from Singapore portfolio and full quarter contribution from the recently acquired Myer Centre Adelaide. These were partly offset by lower contribution from China (contraction of the high-end luxury market) and foreign currency movements (depreciation of AUD and MYR).

- **Mixed performance in Wisma Atria (retail):** In 1QFY2016, shopper traffic for Wisma Atria was down 9.7% y/y, likely due to impact of the ongoing renovation by Isetan for its strata-owned space. Nonetheless, shopper traffic was up 1.7% q/q. Isetan has leased out its basement space to Mango (a fashion chain), which started operations in September 2015. Meanwhile, the Singapore retail portfolio recorded negative rental reversions of 7.3% for leases committed in 1QFY2016 to accommodate new retail concepts (largely due to a new tenant, which is a fashion boutique cafe). We are not overly concerned as the leases committed only accounted for <3% Singapore retail portfolio (excluding the Toshin master lease at Ngee Ann City). On a positive note, committed occupancy for Wisma Atria improved to 100% (from 98.1% in previous quarter), with Ngee Ann City's retail occupancy at 100%. Tenant sales for Wisma Atria also rose 1.1% y/y in 1QFY2016 mainly due to contributions from tenants which have recently started their operations at the mall.

- **Stable Singapore office portfolio:** Overall occupancy for Singapore office portfolio remained firm at 99.3% as at end-1QFY2016 and the trust achieved positive rental reversions of 3.5%. FY2017 could be tricky for SGREIT's Ngee Ann City office exposure (139,165 sqft) with 45.3% gross rent due for renewal.

- **Slight improvement in overall portfolio occupancy:** SGREIT's portfolio occupancy remained healthy and improved slightly to 98.3% as at end-1QFY2016 (end-FY2015: 98.2%). In particular, the trust's weighted average lease term ("WALE") of 4.9 years (by gross rent) will continue to provide earnings stability and visibility for the trust. About 24.5% of leases (by gross rent) are expiring in FY2016, though ~50% are master tenant leases in Malaysia.

- **Organic growth and asset enhancement initiatives ("AEIs") to support earnings:** The master lease for Ngee Ann City (Retail) is due for rent review in June 2016. Similarly, the master tenancy for Malaysia assets (Starhill Gallery and Lot 10) will have the next rent step-up in June 2016. Meanwhile, the next lease review for David Jones Building in Perth, Australia is due in August 2017. All these should provide steady organic growth to the trust going forward. In addition, the AEI for Plaza Arcade in Perth, Australia is in progress and SGREIT is finalising plans (includes the conversion of ~9,000 sqft of upper floor space for retail use) with prospective anchor tenants. The estimated cost is ~AUD10mn.

- **Higher aggregate leverage but still manageable:** As at end-1QFY2016, SGREIT's aggregate leverage (gross debt/total assets) increased to 35.7% (vs. 29.1% a year ago) following the acquisition of Myer Centre Adelaide in May 2015. Furthermore, EBITDA/gross interest was lower at 4.0x (end-FY2015: 4.5x) due to higher finance expenses incurred.

- **No refinancing risk in the near term:** SGREIT has a staggered debt maturity profile (weighted average debt maturity of 3.8 years) and there is no major refinancing requirement until ~SGD395mn due in FY2018 Meanwhile, interest rate risk is well-managed as 100% of SGREIT's borrowings are either on fixed rates or hedged via interest rate caps.

Starhill Global REIT

Table 1: Summary Financials

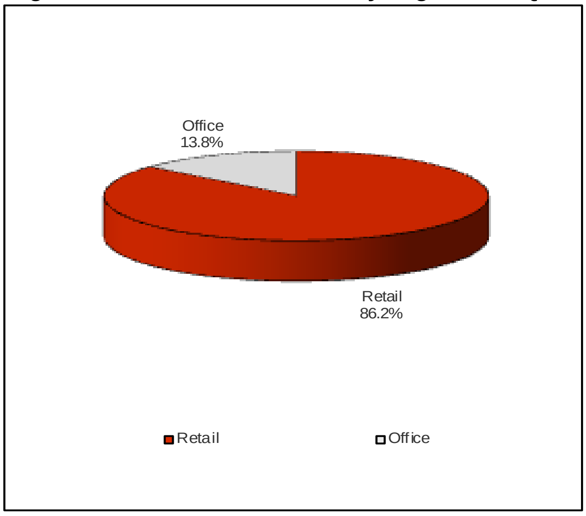
Year Ended 30th June	FY2013	FY14/15*	1Q2016
Income Statement (SGD'mn)			
Revenue	200.6	294.8	56.8
EBITDA	141.0	211.8	38.8
EBIT	140.5	210.8	38.7
Gross interest expense	30.2	46.9	9.6
Profit Before Tax	252.8	174.0	27.1
Net profit	250.0	174.5	26.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	58.0	51.6	56.5
Total assets	2,943.2	3,193.4	3,158.9
Gross debt	845.9	1,129.2	1,122.2
Net debt	787.9	1,077.7	1,065.7
Shareholders' equity	2,010.1	1,982.8	1,952.7
Total capitalization	2,856.0	3,112.0	3,074.9
Net capitalization	2,798.0	3,060.5	3,018.4
Cash Flow (SGD'mn)			
Funds from operations (FFO)	250.5	175.4	26.3
CFO	141.1	212.4	40.3
Capex	3.2	3.9	0.0
Acquisitions	65.2	325.9	1.0
Disposals	9.1	12.4	0.0
Dividends	105.3	163.9	28.1
Free Cash Flow (FCF)	137.9	208.5	40.3
FCF adjusted	-23.7	-268.9	11.2
Key Ratios			
EBITDA margin (%)	70.3	71.9	68.3
Net margin (%)	124.6	59.2	46.2
Gross debt to EBITDA (x)	6.0	8.0	7.2
Net debt to EBITDA (x)	5.6	7.6	6.9
Gross Debt to Equity (x)	0.42	0.57	0.57
Net Debt to Equity (x)	0.39	0.54	0.55
Gross debt/total capitalisation (%)	29.6	36.3	36.5
Net debt/net capitalisation (%)	28.2	35.2	35.3
Cash/current borrowings (x)	1.08	0.35	NM
EBITDA/Total Interest (x)	4.7	4.5	4.0

Source: Company, OCBC estimates

* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

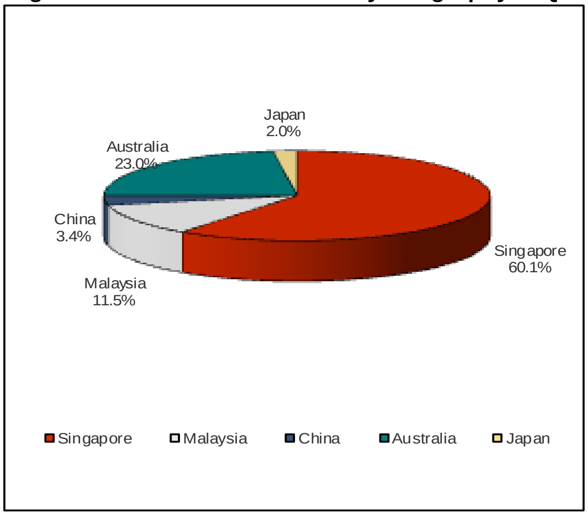
* *In Mar 2014, Starhill Global REIT changed financial yr-end from 31Dec to 30 June*

Figure 1: Revenue breakdown by Segment - 1Q2016



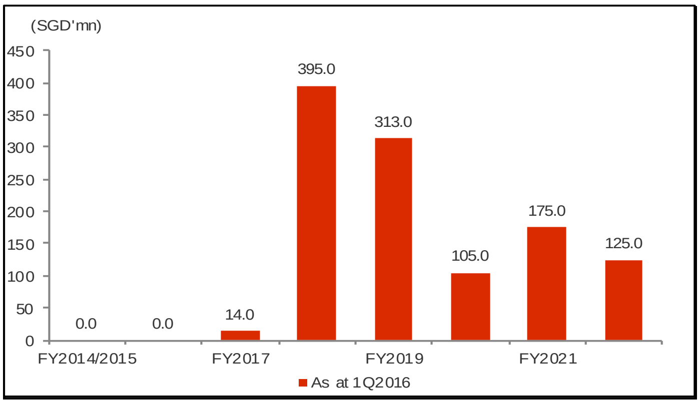
Source: Company

Figure 2: Revenue breakdown by Geography - 1Q2016



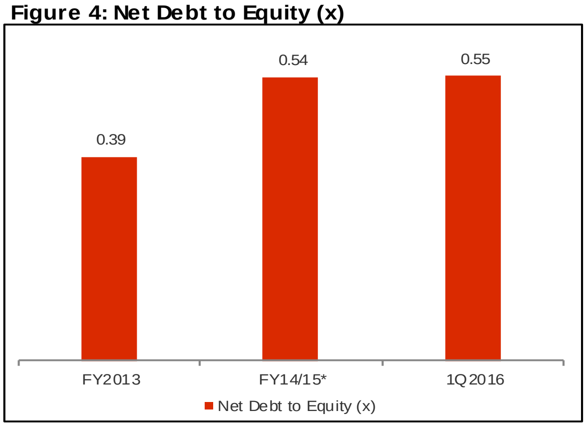
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – We believe the SUNSP curve to be fairly priced, with the new SUNSP'18 and SUNSP'20 trading at around ~50bps over swaps.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Baa2/Stable

Fitch: Not rated

Ticker: **SUNSP**

Company Profile

Listed on the SGX in 2004, Suntec REIT ("SUN") invests in real estates used for retail and office purposes. SUN's portfolio includes "Suntec City" (Suntec City Mall, units in Towers 1–3, and whole of Towers 4 & 5), a 60.8%-interest in Suntec Singapore Convention & Exhibition Centre ("Suntec Singapore"), a one-third interest in One Raffles Quay ("ORQ"), and a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC properties"). SUN holds a 100% interest in 177 Pacific Highway, an office development in Sydney.

Suntec Real Estate Investment Trust

Key credit considerations

- **NPI jump on AEI completion:** Net property income ("NPI") surged 20.3% y/y to SGD166.7mn for 9M2015 mainly due to the opening of Suntec City Phases 2 and 3, as well as stronger performance from Suntec Singapore Convention & Exhibition Centre. The SGD410mn asset enhancement initiatives ("AEIs") for Suntec City (started in June 2012) were completed in June 2015.

- **Leasing momentum for Suntec City Mall remains slow:** Overall committed occupancy for Suntec City Mall only improved slightly to 96.4% as at end-3Q2015, from 94.7% as at end-2Q2015. More importantly, overall committed passing rent (on a stabilised basis) for Suntec City Mall is still in a downtrend, falling to SGD12.03 psf per month ("psf/mth") as at end-3Q2015 (end-2Q2015: SGD12.12 psf/mth, end-1Q2015: SGD12.15 psf/mth, end-4Q2014: SGD12.27 psf/mth). Meanwhile, committed portfolio occupancy for SUN's retail assets (Suntec City Mall: 96.4%, Park Mall Retail: 97.8% and Marina Bay Link Mall: 100.0%) improved to 96.5% as at end-3Q2015, vs. 95.1% as at end-2Q2015.

- **Office portfolio occupancy stays resilient:** SUN's office portfolio registered overall committed occupancy of 98.9% as at end-3Q2015 (Suntec City Office Towers: 99.5%, Park Mall Office: 95.8%, One Raffles Quay: 99.8% and MBFC Properties: 97.7%), relatively flat vs. end-2Q2015's 99.0% but above the average central business district Grade A office occupancy of 93.9%.

- **Lease expiry profiles pose challenges ahead:** SUN's retail portfolio lease expiry profile is front-loaded with 27.7% and 26.6% of net lettable area ("NLA") due for renewal in 2016 and 2017, respectively. We think leasing outlook will be challenging going forward given the prevailing soft leasing environment amidst labour shortage issues and poor consumer sentiments. On the other hand, SUN's lease expiry profile for its office portfolio is more balanced with 21.4% and 19.0% of the NLA expiring in 2016 and 2017, respectively. That said, the office portfolio would not be spared as well given the impending huge supply of office space in 2016, which will increase competition and pressure rental rates downward.

- **New developments to sustain income growth:** SUN has completed the divestment of Park Mall for SGD411.8mn in December 2015. SUN will partner (30% stake) with SingHaiyi Group and Haiyi Holdings to redevelop Park Mall into two office blocks with a retail component. The proceeds from the divestment will be used to fund the JV (up to SGD115.2mn) and the balance will be used for repayment of debt and mitigate the dip in DPU arising from the divestment. In addition, the development of 177 Pacific Highway, a grade A office tower in North Sydney, is ongoing and is scheduled for completion in early 2016. Given that the property is 100% pre-committed with annual rental escalations, we expect it to contribute positively to SUN going forward as well as provide geographical income diversity.

- **Flattish credit metrics:** SUN's aggregate leverage was relatively unchanged at 36.7% as at end-3Q2015 (end-2014: 35.5%), though it would improve with the proceeds of the Park Mall divestment. Meanwhile EBITDA/gross interest improved slightly to 1.8x (end-2014: 1.7x). Capex should be lower post Suntec's AEI.

- **Refinancing shall be well-managed:** SUN's cash position of SGD171.0mn (as at end-3Q2015) was insufficient to cover short term debt of SGD443.3mn (includes SGD150mn in bonds due 08/08/16). However, we believe there is limited refinancing risk given SUN's Park Mall divestment proceeds as well as a SGD105mn bond issue in November 2015. As of end-3Q2015, the trust had a well-spread debt maturity profile (till 2020), with weighted average term to expiry of 2.82 years. Nonetheless, we note that average all-in financing cost has climbed to 2.74% (2014: 2.50%).

Suntec REIT

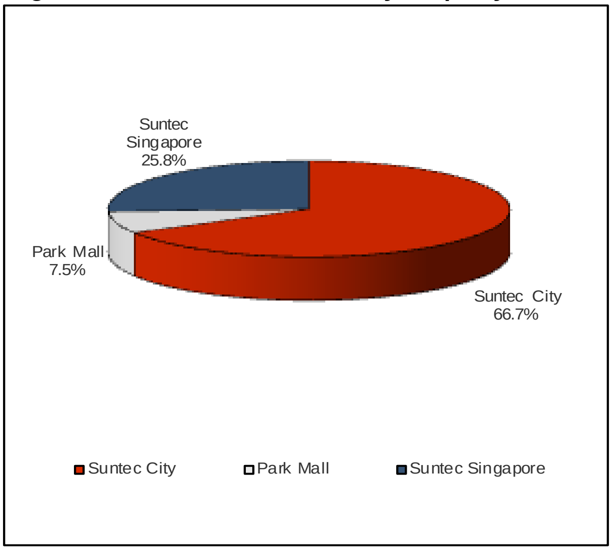
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (SGD'mn)			
Revenue	234.1	282.4	242.0
EBITDA	106.3	130.0	130.8
EBIT	90.9	114.4	122.9
Gross interest expense	77.7	75.6	72.2
Profit Before Tax	377.3	322.7	150.0
Net profit	364.4	317.4	138.3
Balance Sheet (SGD'mn)			
Cash and bank deposits	181.1	149.5	171.0
Total assets	8,321.8	8,602.0	8,729.4
Gross debt	3,160.8	2,980.7	3,202.3
Net debt	2,979.6	2,831.1	3,031.4
Shareholders' equity	4,985.0	5,418.3	5,387.6
Total capitalization	8,145.8	8,399.0	8,590.0
Net capitalization	7,964.6	8,249.4	8,419.0
Cash Flow (SGD'mn)			
Funds from operations (FFO)	379.8	333.0	146.1
CFO	152.6	195.6	168.9
Capex	191.9	97.5	97.0
Acquisitions	82.1	0.0	0.0
Disposals	0.0	0.0	20.6
Dividends	209.4	227.8	188.4
Free Cash Flow (FCF)	-39.3	98.1	71.9
FCF adjusted	-330.7	-129.7	-95.9
Key Ratios			
EBITDA margin (%)	45.4	46.0	54.1
Net margin (%)	155.7	112.4	57.1
Gross debt to EBITDA (x)	29.7	22.9	18.4
Net debt to EBITDA (x)	28.0	21.8	17.4
Gross Debt to Equity (x)	0.63	0.55	0.59
Net Debt to Equity (x)	0.60	0.52	0.56
Gross debt/total capitalisation (%)	38.8	35.5	37.3
Net debt/net capitalisation (%)	37.4	34.3	36.0
Cash/current borrowings (x)	0.23	NM	0.36
EBITDA/Total Interest (x)	1.4	1.7	1.8

Source: Company, OCBC estimates

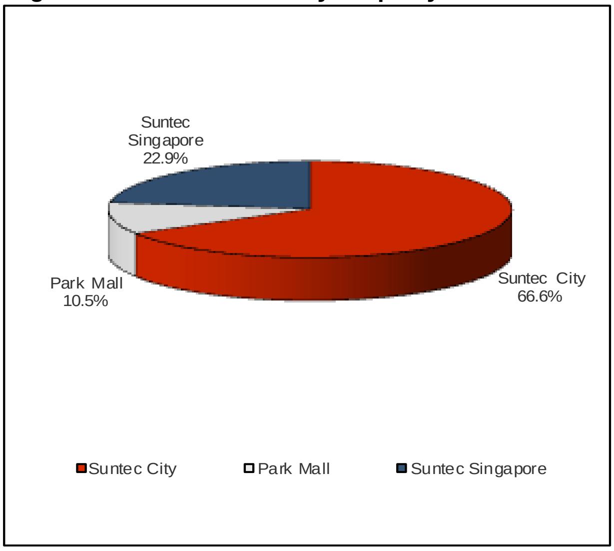
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Property - 9M2015



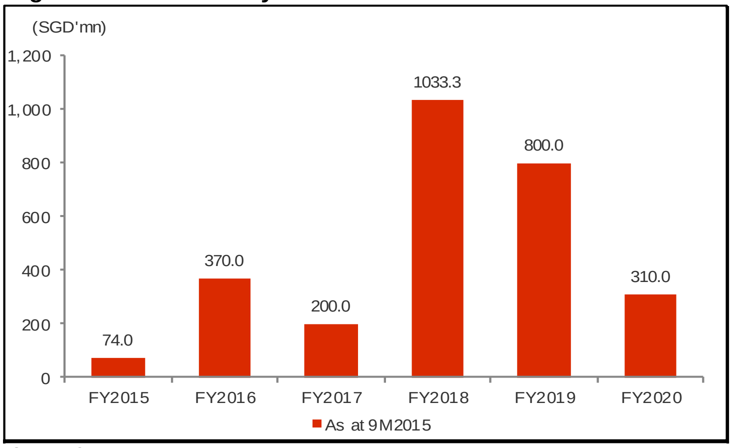
Source: Company

Figure 2: NPI breakdown by Property - 9M2015



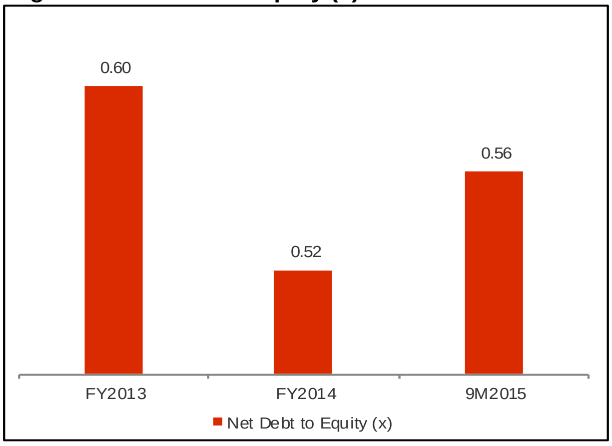
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – With rig charters not being renewed (deviating from our original expectations), we are downgrading the SWCHSP'18 to Neutral, as there would be a better entry point upon better clarity over the future of the off-lease rigs.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **SWCHSP**

Company Profile

Swissco Holdings ("SWCH") is an offshore marine service provider. Though SWCH has been listed since 2004, it was subjected to a RTO in February 2014, and entered the offshore rig chartering business (drilling). Currently, the firm has four business segments: OSV chartering, ship repair & maintenance, maritime services and drilling. The firm currently owns 38 vessels for its chartering business. For its drilling segment, it currently owns two rigs and jointly owns seven rigs. Tan Fuh Gih, the CEO, and his family in aggregate have more than a 55% stake in the firm.

Swissco Holdings Ltd

Key credit considerations

- **Off-lease rigs hitting revenue:** Revenue has fallen 43.2% q/q to USD10.4mn during 3Q2015, driven mainly by one of SWCH's two wholly-owned drilling rigs going off lease at the end of June 2015. As a result, drilling revenue fell from USD10.7mn (2Q2015) to USD5.2mn (3Q2015). SWCH had originally hoped that the previous end-client, a NOC based in North America, would extend the lease. However, the client is currently facing financial pressure and is reducing its rig contracts to control cost. In all, of the 9 rigs which SWCH has exposure to (7 owned via JVs) there are 3 rigs up for lease renewal in 2H2015 and 1 during late 2016. Management has guided that in the worst case, the 3 rigs falling off contract will be put into warm stack while they consider redeploy the rigs to other markets such as the Middle East. Such redeployments may take time though, and may incur additional capex to set the rigs to spec. Vessel chartering segment was also soft, falling by 28.8% q/q to USD5.2mn. Due to the challenging environment for OSVs, though utilization fell by a few percentage points, revenue was made worse by lower spot charter rates as well.

- **Earnings supported by JVs and FX**: SWCH managed to generate USD11.2mn in net profit (higher than quarterly revenue). FX gains helped generate USD6.4mn for the quarter (though most of these are unrealized). SWCH's share of profits from the rig JVs / associates also contributed USD10.7mn. However, the share of profits from the JVs / associates are lower than the USD12.4mn generated during 2Q2015, due to one of the JV rigs falling off contract during the quarter. Looking forward, SWCH may generate an operating loss should any more of its rigs fall off lease. Any reversal in FX trends may also pressure the bottom line. However, on a net profit basis SWCH would still be profitable due to contributions from its JVs / associates. That said, given the challenging industry outlook, we expect earnings to be pressured for at least through 1H2016.

- **Liquidity being managed**: Capex has fallen sharply from USD25.1mn (1Q2015) to USD2.2mn (3Q2015). Looking forward, SWCH last disclosed that they have a liftboat due for delivery during the 1H2016. They have also sold a vessel during the quarter, which could have realized a loss of USD335,000 but generated net cash proceeds (cash from disposal of PPE was USD5.2mn during 3Q2015). SWCH used about USD5.1mn in cash during the quarter, but part of it was driven by debt reduction of USD6.7mn during the period. EBITDA / Interest coverage has worsened from 4.5x (FY2014) to 4.1x (9M2015). Comparatively, cash / current borrowings improved from 0.54 (end-FY2014) to 0.67 (end-3Q2015). Currently, SWCH only has one bond maturing in April 2018.

- **Credit profile to deteriorate, but some buffer remains:** SWCH was one of the few offshore marine issuers to see its net gearing improve through 9M2015, falling from 0.83 (end-FY2014) to 0.65 (3Q2015). Net debt / EBITDA has also fallen from 10.0x (end-FY2014) to 4.0x (end-3Q2015). We expect SWCH's performance to deteriorate though given the rigs that are at risk of falling off lease. That said, after the 3 rigs in 2H2015, the next rig falling off lease would be later in 2016. Given SWCH's current leverage levels, the issuer has some buffer while seeking new charters for its rigs. Should subsequent quarters show no improvement to rig utilization, this would likely lead to SWCH's issuer profile rating being downgraded.

Swissco Holdings Ltd

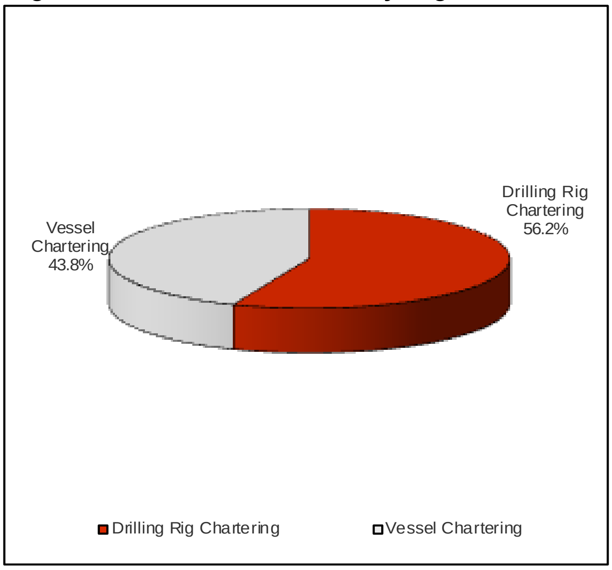
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	9M2015
Income Statement (USD'mn)			
Revenue	0.0	65.5	47.9
EBITDA	-0.5	21.3	35.8
EBIT	-0.5	11.5	16.6
Gross interest expense	1.1	4.7	8.8
Profit Before Tax	15.4	15.5	47.4
Net profit	15.4	15.9	46.2
Balance Sheet (USD'mn)			
Cash and bank deposits	0.8	38.6	49.5
Total assets	45.9	548.3	563.3
Gross debt	0.0	250.8	238.7
Net debt	-0.8	212.1	189.2
Shareholders' equity	43.0	254.3	290.8
Total capitalization	43.0	505.1	529.5
Net capitalization	42.2	466.4	480.0
Cash Flow (USD'mn)			
Funds from operations (FFO)	15.4	25.7	65.5
CFO	-0.5	45.9	11.3
Capex	0.0	168.0	33.9
Acquisitions	0.0	-9.6	0.0
Disposals	0.0	4.2	30.1
Dividends	0.0	0.0	10.0
Free Cash Flow (FCF)	-0.5	-122.1	-22.6
* FCF Adjusted	-0.5	-108.3	-2.5
Key Ratios			
EBITDA margin (%)	NM	32.5	74.8
Net margin (%)	NM	24.3	96.6
Gross debt to EBITDA (x)	0.0	11.8	5.0
Net debt to EBITDA (x)	1.5	10.0	4.0
Gross Debt to Equity (x)	0.00	0.99	0.82
Net Debt to Equity (x)	NM	0.83	0.65
Gross debt/total capitalisation (%)	0.0	49.6	45.1
Net debt/net capitalisation (%)	NM	45.5	39.4
Cash/current borrowings (x)	NM	0.5	0.7
EBITDA/Total Interest (x)	NM	4.5	4.1

Source: Company, OCBC estimates

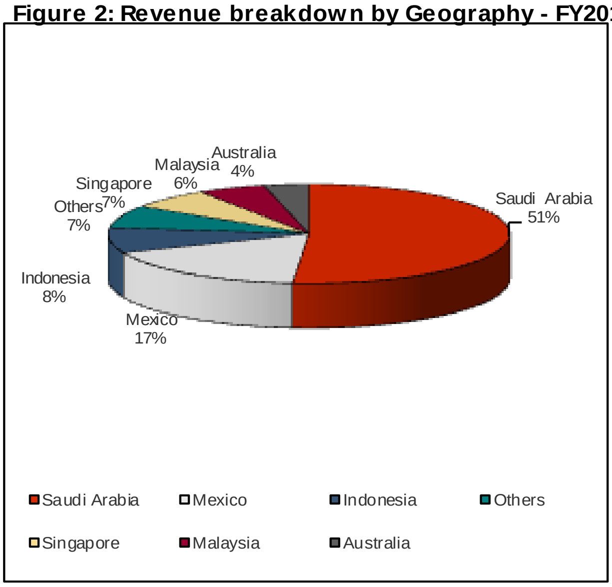
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 9M2015



Source: Company

Figure 2: Revenue breakdown by Geography - FY2014



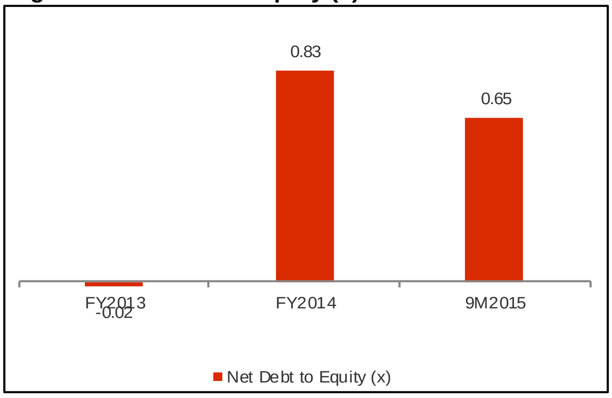
Source: Company

Figure 3: Debt Maturity Profile

Amounts in USD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	62.6	26.2%
Unsecured	11.5	4.8%
	74.1	**31.0%**
Amount repayable after a year		
Secured	95.5	40.0%
Unsecured	69.1	28.9%
	164.6	**69.0%**
Total	**238.7**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Wharf's shopping malls should remain relatively resilient to a slowdown in HK retail. Capital requirements while elevated, should start to moderate as China IFS projects start coming online. Across the Wharf curve, we like the 18s (spread of 52bps) over the 16s (25bps spread) and 21s (72bps spread).

Issuer Profile: Neutral

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **WHARF**

Company profile

The Wharf (Holdings) Ltd ("Wharf') develops and invests in retail, hotel and office property in China and Hong Kong. The company is also involved in communications, media & entertainment, and container terminals businesses. Wharf has strong experience and expertise in operating prime-location, high-quality commercial properties in Hong Kong. Wharf is a subsidiary of Wheelock & Co. Ltd, which owns a 57% stake in the company.

The Wharf (Holdings) Ltd

Key credit considerations

- **Stable 1H2015 results:** Wharf reported 1H2015 revenue up 9.75% y/y to HKD17.91bn and EBITDA up 2.4% y/y to HKD8.05bn mainly on resilience in Investment Properties ("IP"). Core profit (stripping out revaluation gains and other accounting gains/losses) was up 5% y/y to HKD5.3bn. Investment properties continued to form the bulk of Wharf's core profit, increasing to 80% from 72% in 2014 with Development Properties ("DP") decreasing to 8%. Hong Kong IP revenue increased 9% y/y (HKD6.05bn) while OP increased 8% y/y to HKD5.3bn on positive rental reversions despite the challenging retail environment. China IP revenue increased by 34% y/y to HKD1.12bn and OP by 39% y/y to HKD589mn as Chengdu International Finance Square ("IFS") continued to ramp up operations after completing phase 2 (157,000 sqm of office and 113,000 sqm of hotel space). China DP performed well on increased completions with revenue up 26% y/y and OP up 35% y/y to HKD6.6bn and HKD1.13bn, respectively. Meanwhile, contracted sales performance was strong with Wharf's attributable interest in contracted sales up 16% y/y to RMB10.3bn, 47% of full-year target.

- **Shopping centre rents expected to remain resilient:** HK retail environment remains pressured due to a deceleration in Chinese visitor arrivals and a strong HKD. However, shopping mall rents have been resilient (9M2015: +2.2% y/y while street rents have fallen 22.1% y/y) as retailers have few viable alternatives. Resiliency of shopping mall rents is encapsulated in Harbour City's ("HC") performance as retail rental revenue increased 7% y/y to HKD2.99bn with occupancy at almost 100%. This is despite a fall in overall HK retail sales (1H2015: -1.6% y/y) and HC retail sales (1H2015:-7.1% y/y). We believe shopping centre rental rates might stabilize at current levels as higher base rents are offset by a decline in turnover rent from lower retail sales.

- **China IFS pipeline to diversify Wharf's stream of recurring rental income:** Harbour City and Times Square currently represent 70% of Wharf's HKD307bn IP portfolio and contribute 66% (HKD3.98bn) of IP revenue. However, its China IFS pipeline will provide another platform of IP rental income out of China to complement HK IP. 20.7mn sqft of China commercial space is scheduled for completion in 2016 and 2017, mainly from Changsha and Suzhou IFS. This will take total GFA to 53mn sqft by 2017 and reduce reliance on Harbour City and Times Square.

- **Capex to remain elevated mainly due to IFS buildup and development properties in China:** While Wharf generates about ~HKD16bn in EBITDA every year, capex requirements are expected to remain elevated due to construction costs for the China residential development and IFS projects. 1H2015 capex was HKD12.04bn, with full-year 2015 capex estimated at HKD27.7bn and 2016 capex at HKD24.6bn. That said, Wharf does have multiple source of funds to cover 2016 capex including contracted sales (2014: RMB22bn), operating profit from rental income (2014: HKD10.9bn), HKD16.7bn in cash and undrawn bank facilities of HKD17.9bn as of 30 Jun 15.

- **Stable credit profile and adequate liquidity despite high capex requirements:** Net gearing increased slightly to 19.6% from 18.9% as the company's net debt position increased to HKD62.3bn from HKD59.3bn in 2014 due to capex requirements. LTM net debt/EBITDA increased to 3.90x from 3.75x in 2014. However, LTM EBITDA interest coverage improved to 7.3x from 6.1x on higher EBITDA generation and lower average interest costs (2.8% in 1H2015 from 3.2% in 2014).

The Wharf (Holdings) Ltd

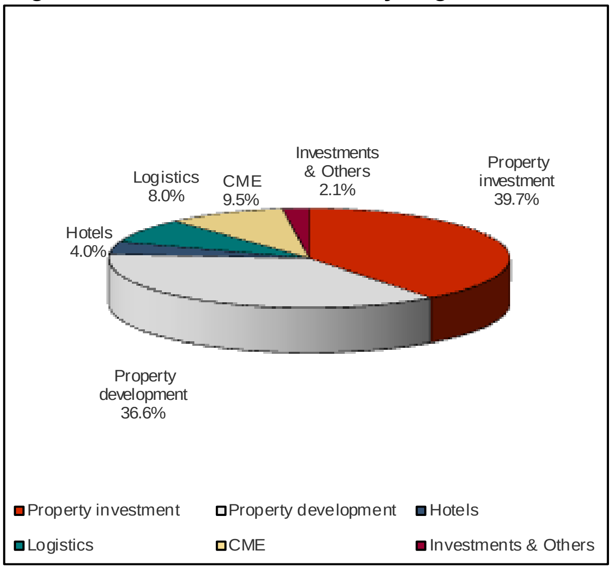
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (HKD'mn)			
Revenue	31,887.0	38,136.0	39,727.0
EBITDA	14,725.0	15,805.0	15,996.0
EBIT	13,280.0	14,283.0	14,427.0
Gross interest expense	2,555.0	2,604.0	1,397.0
Profit Before Tax	34,460.0	40,154.0	35,505.0
Net profit	29,380.0	35,930.0	31,187.0
Balance Sheet (HKD'mn)			
Cash and bank deposits	24,515.0	18,725.0	16,729.0
Total assets	415,052.0	444,658.0	447,289.0
Gross debt	82,587.0	77,984.0	79,038.0
Net debt	58,072.0	59,259.0	62,309.0
Shareholders' equity	284,255.0	314,111.0	317,806.0
Total capitalization	366,842.0	392,095.0	396,844.0
Net capitalization	342,327.0	373,370.0	380,115.0
Cash Flow (HKD'mn)			
Funds from operations (FFO)	30,825.0	37,452.0	32,756.0
CFO	16,437.0	19,542.0	21,996.0
Capex	14,036.0	11,277.0	11,206.0
Acquisitions	15.0	1,109.0	1,109.0
Disposals	763.0	81.0	81.0
Dividends	5,691.0	5,871.0	6,054.0
Free Cash Flow (FCF)	2,401.0	8,265.0	10,790.0
* FCF Adjusted	-2,542.0	1,366.0	3,708.0
Key Ratios			
EBITDA margin (%)	46.2	41.4	40.3
Net margin (%)	92.1	94.2	78.5
Gross debt to EBITDA (x)	5.6	4.9	4.9
Net debt to EBITDA (x)	3.9	3.7	3.9
Gross Debt to Equity (x)	0.29	0.25	0.25
Net Debt to Equity (x)	0.20	0.19	0.20
Gross debt/total capitalisation (%)	22.5	19.9	19.9
Net debt/net capitalisation (%)	17.0	15.9	16.4
Cash/current borrowings (x)	2.6	2.2	1.1
EBITDA/Total Interest (x)	5.8	6.1	11.5

Source: Company, OCBC estimates

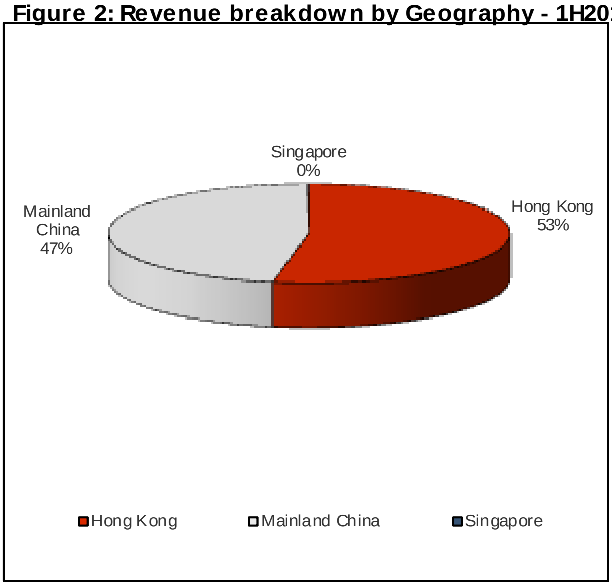
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



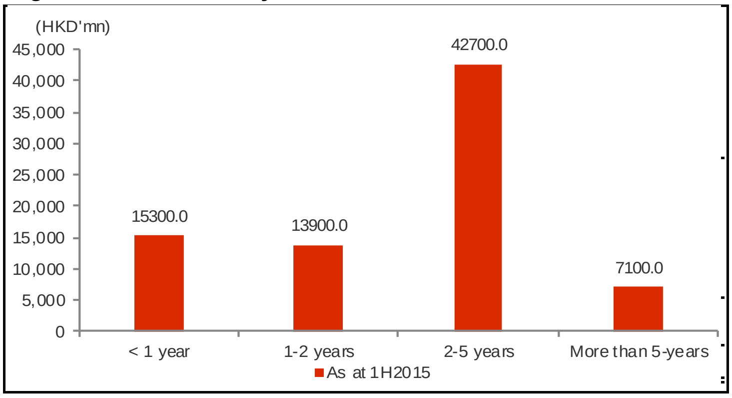
Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



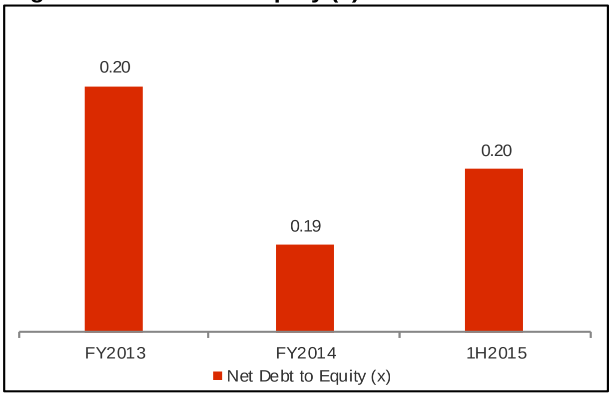
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook –

Wheelock continues to deleverage due to its strong execution in HK property development segment. We like the Wheelock 21's for a 47bps pick-up over Wharf 21's while noting Wheelock's less leveraged standalone credit profile and non-recourse nature of Wharf's and Wheelock Singapore's debt.

Issuer Profile: Positive

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WHEELK**

Company Profile

Founded in Shanghai in 1857, Wheelock & Co Ltd ("Wheelock") is a Hong Kong-listed investment holding company. Wheelock owns 55.1% of its principal subsidiary, The Wharf (Holdings) Ltd ("Wharf"). While prime real estate is Wharf's strategic focus, mall management remains Wheelock's strategic differentiation. Together with Wheelock Properties Ltd ("WPL"), both companies generate a solid recurring dividend income for the Group.

Wheelock & Co Ltd

Key credit considerations

- **Strong 1H2015 results due to sale of One Bay East and stable Wharf performance:** Wheelock & Co Ltd ("Wheelock") reported a decent set of results, driven by strong Hong Kong property development and steady growth in investment property revenue at Wharf. At the group level, revenue was up 55% y/y to HKD28.6bn while operating profit increased 38% y/y to HKD11.4bn. Investment property revenue and operating profit was up 9% and 8% y/y to HKD7.5bn and HKD6.1bn, respectively. HK development property (DP) revenue was up 513% y/y to HKD10.2bn with HK DP operating profit consequently up 333% y/y to HKD3.5bn. The bulk of HK DP revenue was due to the recognition of the sale of One Bay East to Manulife and Citigroup (HKD9.9bn). Contracted sales in Hong Kong were HKD2.8bn comprising only 28% of the target of at least HKD10bn in sales. However, China Life bought One HarbourGate West and the retail podium for HKD5.86bn and has sold 37 units out of 50 from its Island Residence launch for HKD186mn after the reporting period, bringing Wheelock closer to its target.

- **Quality HK landbank for future development:** Wheelock (ex-Wharf and Wheelock Properties Singapore) had 8.3mn sqft of landbank across 18 projects with 75% in the Victoria Harbour region. The company acquired LOHAS Park Phase 7 from MTR Corp. for HKD3.88bn in June 2015. Construction cost for the 1.24mn sqft retail-residential project is estimated at HKD8.88bn with MTR repurchasing the 478,998 sqft shopping centre for HKD4.98bn when completed in 2020. Syndicated loan of HKD6bn loan has already been obtained at 129bps for the project.

- **Credit profile continues to stabilize after balance sheet expansion in 2013:** Net gearing was relatively stable at 28.8% as of June 2015 (2014: 28.4%) and net debt increased by HKD2.5bn to HKD99bn. LTM net debt/EBITDA improved to 4.8x from 5.6x in 2014. LTM EBITDA interest coverage improved as well to 6.1x from 4.6x in 2014 mainly on stronger EBITDA. We note that Wharf's (net debt: HKD62.3bn) and Wheelock Singapore's (net debt: HKD2.38bn) debt are non-recourse in nature to Wheelock (net debt: 34.45bn). As a standalone, Wheelock's net gearing was 17.1% with lower capex requirements at HKD6.98bn committed as of 30 Jun 15.

- **Adequate liquidity despite high capex requirements at the Wharf level:** Liquidity remained adequate with HKD18.6bn cash, HKD36bn in undrawn facilities and ~HKD20bn in EBITDA sufficient to cover HKD21bn in short term debt. 1H2015 capex was HKD15.16bn, most of it due to heavy requirements at the Wharf level (HKD12.04bn) while capex at the Wheelock level (HKD2.9bn) was mostly due to land cost for LOHAS Park Phase 7 and construction of HK DP. Going forward, capex requirements will remain elevated mainly due to Wharf (2016 projected capex: HKD24.6bn) which will limit further improvements to the company's credit profile.

Wheelock & Co Ltd

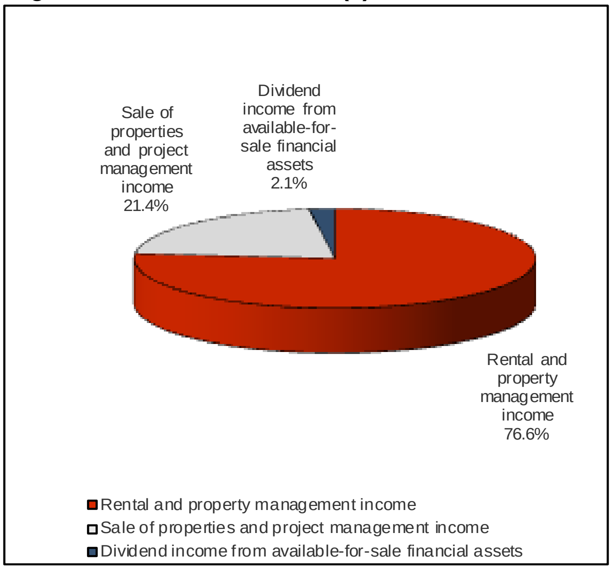
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (HKD'mn)			
Revenue	35,071	40,953	51,127
EBITDA	16,390	17,257	20,441
EBIT	14,938	15,729	18,865
Gross interest expense	3,586	3,776	3,365
Profit Before Tax	36,557	42,984	41,211
Net profit	16,954	22,009	22,340
Balance Sheet (HKD'mn)			
Cash and bank deposits	29,345	21,279	18,582
Total assets	486,814	517,567	523,185
Gross debt	123,640	117,878	117,716
Net debt	94,295	96,599	99,134
Shareholders' equity	311,572	339,916	344,686
Total capitalization	435,212	457,794	462,402
Net capitalization	405,867	436,515	443,820
Cash Flow (HKD'mn)			
Funds from operations (FFO)	18,406	23,537	23,916
CFO	883	15,572	23,949
Capex	15,765	9,017	9,107
Acquisitions	1,462	7,784	7,247
Disposals	209	2,147	2,147
Dividends	5,572	5,219	4,983
Free Cash Flow (FCF)	-14,882	6,555	14,842
* FCF Adjusted	-21,707	-4,301	4,759
Key Ratios			
EBITDA margin (%)	46.7	42.1	40.0
Net margin (%)	48.3	53.7	43.7
Gross debt to EBITDA (x)	7.5	6.8	5.8
Net debt to EBITDA (x)	5.8	5.6	4.8
Gross Debt to Equity (x)	0.40	0.35	0.34
Net Debt to Equity (x)	0.30	0.28	0.29
Gross debt/total capitalisation (%)	28.4	25.7	25.5
Net debt/net capitalisation (%)	23.2	22.1	22.3
Cash/current borrowings (x)	2.5	2.0	0.9
EBITDA/Total Interest (x)	4.6	4.6	6.1

Source: Company, OCBC estimates

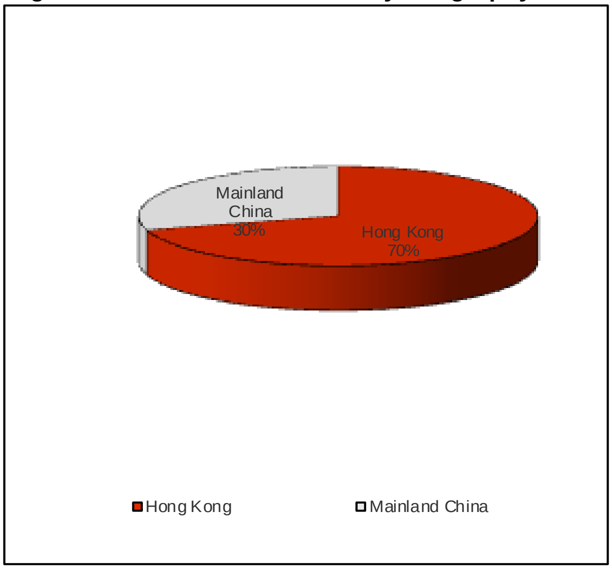
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Net Debt to EBITDA (x)



Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



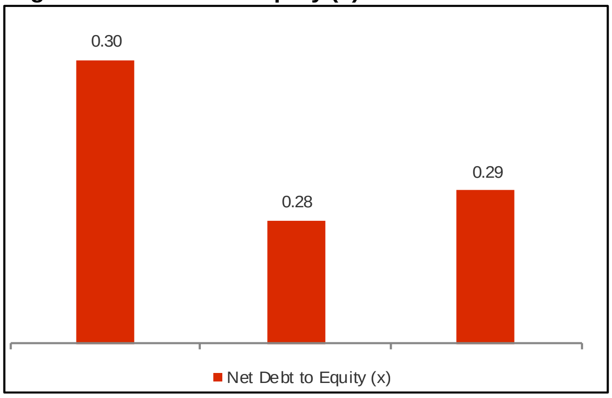
Source: Company

Figure 3: Debt Maturity Profile

Amounts in HKD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
	21145.0	**18.0%**
Amount repayable after a year		
Due after 1 year but within 5 year	86227.0	73.3%
Due after 5 years	10344.0	8.8%
	96571.0	**82.0%**
Total	**117716.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook – Slowdown in the Singapore residential market continues to weigh on the company's credit profile. Nevertheless, strong liquidity and balance sheet should allow the company to weather the headwinds. We think the long-dated Wing Tai curve is fairly valued at current levels.

Issuer Profile: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WINGTA**

Company Profile

Listed on the SGX since 1989, Wing Tai Holdings ("WINGTA") is an investment holding company with core businesses in property investment and development, lifestyle retail and hospitality management in key Asian markets such as Singapore, Malaysia, Hong Kong and China. WINGTA's commercial properties include Winsland House in Singapore and Landmark East and W Square in Hong Kong. The group's Chairman Mr. Cheng Wai Keung owns a 50.5% stake in WINGTA.

Wing Tai Holdings Ltd

Key credit considerations

- **Slump in 1QFY2016 (end-September) earnings:** Revenue rose 6.3% y/y to SGD170.3mn on the back of progressive sales recognized from The Tembusu, additional units sold in Le Nouvel Ardmore in Singapore and The Lakeview in China, as well as the contributions from Jesselton Hills in Penang. In 1QFY2016, Phase 2 of Jesselton Hills obtained its Temporary Occupation Permit ("TOP") and the revenue for all units sold was fully recognised. Meanwhile, gross profit was relatively flat at SGD59.9mn (-3.6% y/y) but margin decreased to 35.2% from 38.8% a year ago. However, net profit was down 91.6% y/y to SGD2.0mn due to absence of SGD21.2mn one-off gain from disposal of shares in a subsidiary, lower contributions from Wing Tai Properties Limited in Hong Kong and the joint venture development projects in Singapore.

- **Lacklustre outlook for Singapore property market:** Singapore's private residential property price index fell by 0.5% q/q in 4Q2015 (2Q2015: -0.9% y/y), the 9th consecutive quarter of price decline as the government's cooling measures remain in place. Going forward, management continues to guide for subdued buying sentiment for private residential property in Singapore. In addition, Malaysia's property market also sees cautious buying sentiment and it is unlikely to improve in the near term as a result of credit tightening rules by Bank Negara. On a positive note, residential sales in China are expected to improve with relaxation of home purchase restrictions in certain cities and supportive monetary policies implemented by the government. The group's current strategy is to monitor the market closely and launch new residential projects for sale at appropriate times. For the high-end properties in Singapore, marketing activities have been planned for Le Nouvel Ardmore while the launch strategy for Nouvel 18 is currently being assessed.

- **Recurring income from investment properties:** Despite the weaker outlook for the development properties segment, earnings should be supported by the group's investment properties (commercial buildings and serviced residences) segment, which accounted for ~38.0% of total assets in FY2015 and generates recurring income for the group. As at end-FY2015, occupancy rates for WINGTA's commercial properties and serviced residences stood at 91% and 81%, respectively.

- **Retail business not yet a major earnings contributor:** As at 30 Jun 15, the group's retail footage spanned over 924,000 sqft with 255 stores, with a portfolio of 17 brands in Singapore and 12 in Malaysia. The size of the business remains relatively small and WINGTA is consolidating its retail business to stay relevant and focus on stores that yield positive returns amidst the soft retail environment. This includes streamlining operations and developing knowledge and skills of its staff, to be even more competitive in the evolving retail landscape.

- **Solid balance sheet:** WINGTA's cash holdings of SGD889.4mn are sufficient to cover its short-term debt by 24.4x, as at end-1QFY2016. Banking on its strong liquidity position, the group successfully called its SGD60.0mn fixed rate notes due in 2018 at 102 in November 2015. Although EBITDA/gross interest remained weak at 1.5x (FY2015: 1.6x) on the back of lower earnings, WINGTA's balance sheet is strong and continues to improve with net gearing falling to 8.6% from 9.2% as at end-FY2015. With the meaningful war chest in hand, the group is well-positioned to take advantage of any arising opportunities in the region. In addition, this helps WINGTA to ride out the current down-cycle as well, in our opinion.

Wing Tai Holdings

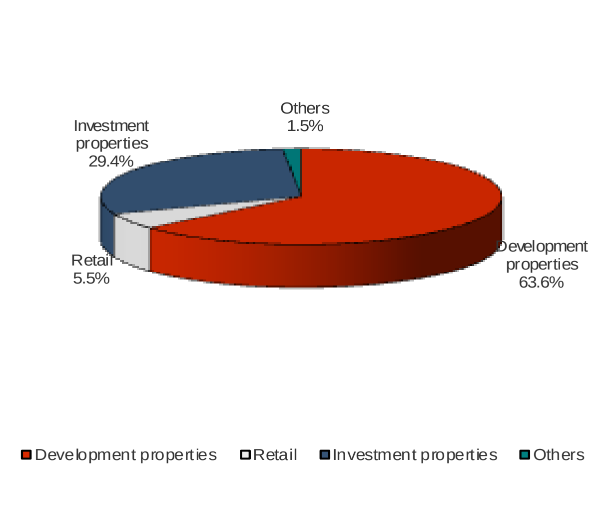
Table 1: Summary Financials

Year Ended 30th Jun	FY2014	FY2015	1Q2016
Income Statement (SGD'mn)			
Revenue	803.4	676.7	170.3
EBITDA	169.0	75.9	15.5
EBIT	154.7	61.5	15.5
Gross interest expense	39.9	47.3	10.1
Profit Before Tax	312.5	175.3	14.3
Net profit	254.4	150.3	2.0
Balance Sheet (SGD'mn)			
Cash and bank deposits	834.8	880.6	889.4
Total assets	4,883.4	4,887.6	4,941.0
Gross debt	1,302.2	1,191.4	1,184.2
Net debt	467.5	310.7	294.8
Shareholders' equity	3,142.8	3,362.2	3,438.3
Total capitalization	4,445.0	4,553.6	4,622.5
Net capitalization	3,610.3	3,672.9	3,733.1
Cash Flow (SGD'mn)			
Funds from operations (FFO)	268.7	164.7	2.0
CFO	37.9	266.6	6.8
Capex	20.4	7.6	2.0
Acquisitions	45.9	17.9	0.0
Disposals	59.7	27.3	0.1
Dividend	124.1	51.4	0.0
Free Cash Flow (FCF)	17.5	258.9	4.8
FCF Adjusted	-92.8	216.9	5.0
Key Ratios			
EBITDA margin (%)	21.0	11.2	9.1
Net margin (%)	31.7	22.2	1.2
Gross debt to EBITDA (x)	7.7	15.7	19.1
Net debt to EBITDA (x)	2.8	4.1	4.7
Gross Debt to Equity (x)	0.41	0.35	0.34
Net Debt to Equity (x)	0.15	0.09	0.09
Gross debt/total capitalisation (%)	29.3	26.2	25.6
Net debt/net capitalisation (%)	12.9	8.5	7.9
Cash/current borrowings (x)	4.48	24.47	24.41
EBITDA/gross interest (x)	4.2	1.6	1.5

Source: Company, OCBC estimates

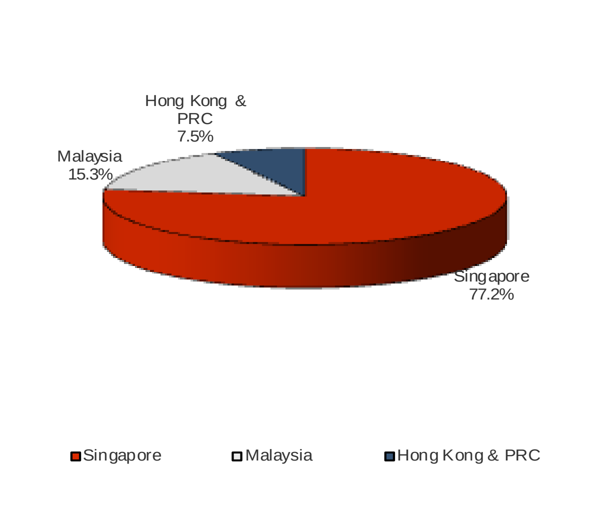
* *FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - FY2015



Source: Company

Figure 2: Revenue breakdown by Geography - FY2015



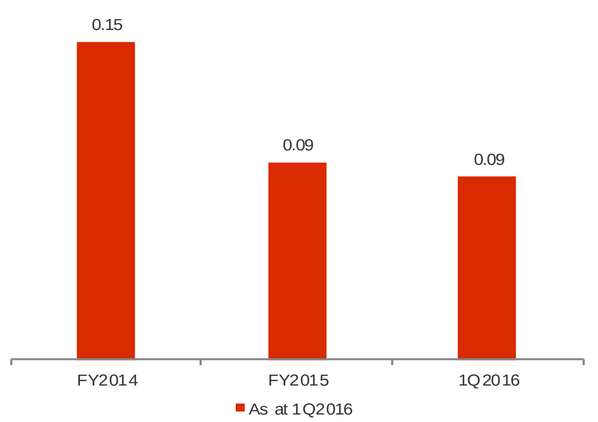
Source: Company

Figure 3: Debt Maturity Profile

Amounts in (SGD'mn)	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	25.1	2.1%
Unsecured	11.4	1.0%
	36.4	**3.1%**
Amount repayable after a year		
Secured	305.4	25.8%
Unsecured	842.3	71.1%
	1147.8	**96.9%**
Total	**1184.2**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook –

While we are comfortable with WTP's leverage and liquidity positions, the company's credit profile is constrained by its small operating scale compared to its larger peers. WINGTA 4.25% '22 issued out of WTP yielding 4.25% at a spread of 147bps offers a 15bps pickup to WINGTA 4.5% '22 issued out of Wing Tai Holdings.

Issuer Profile: Positive

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WINGTA**

Company Profile

Listed in 1991 in HKSE, Wing Tai Properties Ltd ("WTP") is principally engaged in property development, property investment, and hospitality management in Hong Kong, China and South East Asia under the brand names of Wing Tai Asia and Lanson Place. It has developed an aggregate GFA of over 5mn sqft in the luxury residential property projects and its premium serviced residences are located in China and South East Asia. WTP is 34.6% owned by Wing Tai Holdings Ltd and 13.7%-owned by Sun Hung Kai Properties Ltd.

Wing Tai Properties Ltd

Key credit considerations

- **1H2015 results:** WTP's 1H2015 revenue was HKD540mn, down 59% y/y mainly due to lower property sales recognized. Property development revenue fell 87% y/y to HKD115mn mainly due to fewer sales from wholly owned projects. No projects were completed during 1H2015 (The Pierre was completed in May 2014) although WTP sold a few units from inventory in The Pierre and The Warren. Investment properties continued to display stable growth; with revenue up 2.7% y/y to HKD342mn on positive rental reversions at Landmark East and W Square with stable occupancies. The hospitality segment was impacted by a slowdown in tourists' arrivals and spending with revenue down 4% y/y to HKD71mn. On an aggregate level, EBITDA was down 43.5% y/y to HKD226mn. In 2016, WTP will look to continue to sell down inventory in completed projects, pre-sell Homantin Hillside as well as launch the completed Upper Riverside in Shanghai.

- **Investment properties provide stable recurring income:** Rental and property management income comprised 76.6% of the company's revenue in 1H2015 while property development contributed 21.4%. As of 30 Jun 15, WTP's portfolio of investment properties comprised 1.5mn sqft of Grade-A office space, 0.7mn sqft of industrial buildings, and 339,000 of hospitality assets. Total investment property portfolio is valued at HKD21.26bn. Occupancy at Landmark East (1.34bn sqft); WTP's flagship investment property dipped to 96% as of December 2014 and has subsequently improved to 97% as of June 2015.

- **London acquisitions to contribute to recurring income:** As flagged earlier, WTP has deployed some cash in expanding its investment property portfolio in London. In August 2015, WTP acquired a boutique office building with office space of 7,900 sqft (fully-occupied) in the West End of London for HKD255mn. The company also formed a 25% interest in a JV to acquire another commercial property in London with 186,000 sqft of Grade A office and retail space (fully-occupied). WTP's investment in the JV is HKD570mn. These acquisitions will diversify WTP's investment property portfolio and contribute to recurring income in the coming quarters.

- **Improving credit profile with adequate liquidity:** WTP's net debt position decreased to HKD1.67bn as gross debt levels were stable while cash position increased to HKD2.16bn from HKD1.6bn on strong operating cash flows with limited capex. As a result net gearing improved to 7.3% as of end-June 2015 from 10% in December 2014. LTM net debt/EBITDA deteriorated only slightly to 3.82x from 3.72x in 2014. Liquidity profile was strong with cash balance of HKD2.17bn coupled with unutilized revolving loan facilities of HKD2.2bn sufficient to cover short term debt of HKD64mn. Liquidity remains strong after the London acquisitions (totaling HKD825mn and assuming a full drawdown on cash), while net gearing will remain manageable, increasing to 10.9% from 7.3%.

- **Possible supply in the pipeline:** WTP established a USD1bn MTN for 12 months from 5 Nov 15 on the Hong Kong Stock Exchange indicating prospects of further issuance in 2016. Given limited refinancing needs, this might be in relation to the London acquisitions or landbank replenishment.

Wing Tai Properties

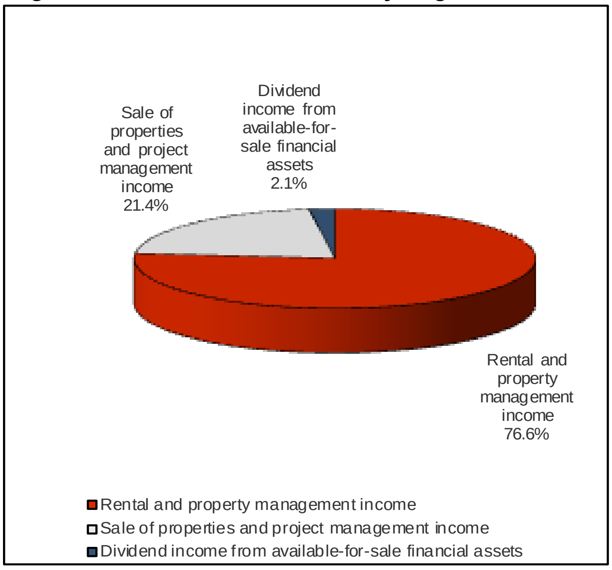
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (HKD'mn)			
Revenue	1,736	1,784	1,006
EBITDA	516	611	437
EBIT	496	601	431
Gross interest expense	167	159	113
Profit Before Tax	2,753	2,033	882
Net profit	2,661	1,944	812
Balance Sheet (HKD'mn)			
Cash and bank deposits	1,242	1,606	2,173
Total assets	26,705	27,528	27,779
Gross debt	4,687	3,879	3,847
Net debt	3,445	2,273	1,674
Shareholders' equity	20,895	22,680	22,933
Total capitalization	25,582	26,559	26,780
Net capitalization	24,340	24,953	24,607
Cash Flow (HKD'mn)			
Funds from operations (FFO)	2,681	1,954	818
CFO	401	1,590	2,439
Capex	8	6	6
Acquisitions	518	4	4
Disposals	49	1	1
Dividends	181	181	181
Free Cash Flow (FCF)	393	1,584	2,434
* FCF Adjusted	-257	1,400	2,249
Key Ratios			
EBITDA margin (%)	29.7	34.3	43.5
Net margin (%)	153.3	109.0	80.6
Gross debt to EBITDA (x)	9.1	6.3	8.8
Net debt to EBITDA (x)	6.7	3.7	3.8
Gross Debt to Equity (x)	0.22	0.17	0.17
Net Debt to Equity (x)	0.16	0.10	0.07
Gross debt/total capitalisation (%)	18.3	14.6	14.4
Net debt/net capitalisation (%)	14.2	9.1	6.8
Cash/current borrowings (x)	0.7	25.2	33.8
EBITDA/Total Interest (x)	3.1	3.9	3.9

Source: Company, OCBC estimates

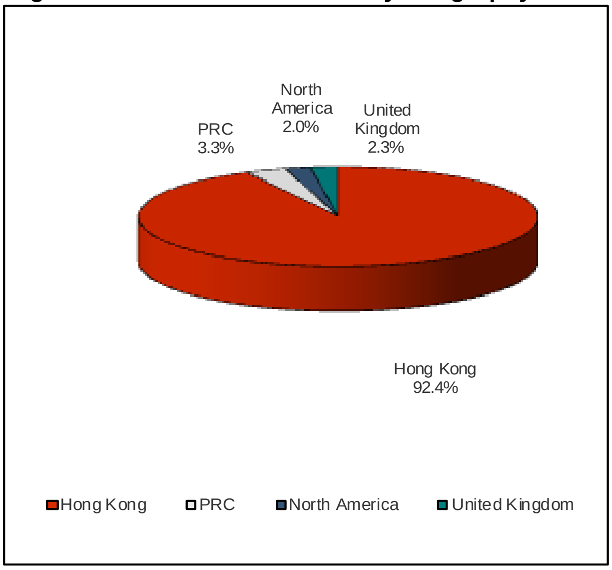
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Revenue breakdown by Segment - 1H2015



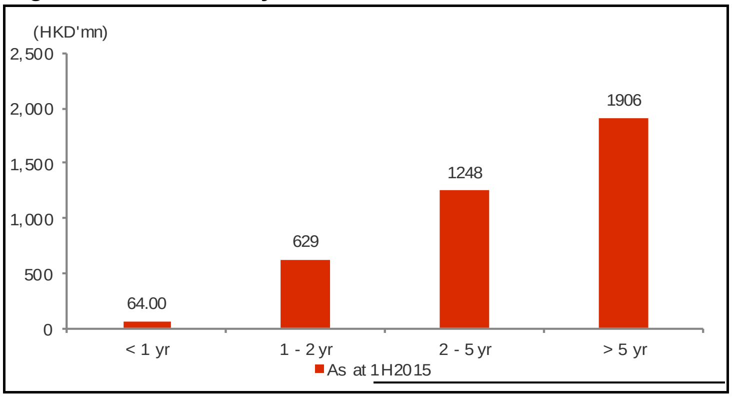
Source: Company

Figure 2: Revenue breakdown by Geography - 1H2015



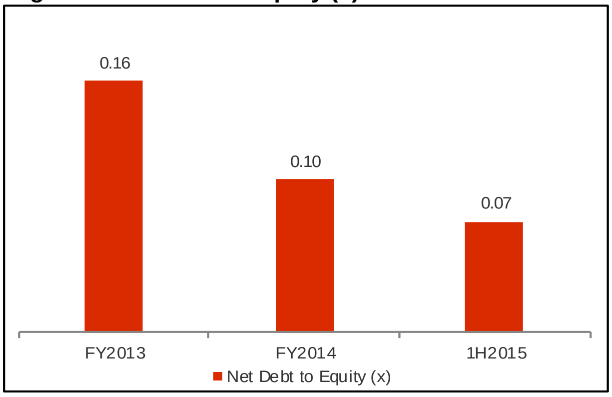
Source: Company

Figure 3: Debt Maturity Profile



Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

Credit Outlook –

Yanlord's credit profile improved after leverage peaked in 2014. YLLGSP'17 is now trading wider to CENCHI'17 which does not seem justified given diverging fundamentals. At current levels (387bps over swaps); YLLGSP'17 looks compelling over CENCHI'17.

Issuer Profile: Positive

S&P: B+/Stable

Moody's: Ba3/Stable

Fitch: Not rated

Ticker: **YLLGSP**

Company profile

Yanlord Land Group Ltd ("Yanlord") is a PRC real estate developer. Established in 1993, it focuses on the high-end residential, commercial and integrated property segments. It has a strong local brand and presence in: (1) the Yangtze River Delta; (2) the Pearl River Delta; (3) Western China; (4) Bohai Rim; and (5) Hainan Island. Listed on the SGX, it is 65.6% owned by Chairman and CEO Mr Zhong Seng Jian. YLG has a market capitalization of SGD1.96bn as of 23 Dec 15.

Yanlord Land Group Ltd

Key credit considerations

- **Strong 9M2015 performance:** Yanlord Land Group Ltd ("Yanlord") reported a strong set of results, with revenue up 206% y/y in 3Q2015 and 49.3% y/y in 9M2015 to RMB3bn and RMB6.34bn, respectively. Gross margins were weak in 3Q2015 (23.9% compared to 35.4% in 3Q2014) primarily due to the delivery of the first phase of Yanlord Rosemite in Shenzhen. However the declines in 9M2015 margins were manageable at 30.9% from 32.1% the previous year and the lower margins are still above the industry average. 9M2015 EBITDA was up 35% y/y to RMB1.17bn.

- **Contracted sales have surpassed targets:** 9M2015 contracted sales at RMB20.26bn have already surpassed the full year target of RMB18bn. In addition, launches in Shanghai and Nanjing in November have racked up a further RMB3.44bn in pre-sales. Yanlord's good contracted sales performance reflects the strong demand in 1st and 2nd tier cities amid a supportive policy backdrop and should sustain revenue growth over 2016 with order book pending revenue recognition now at RMB27.64bn.

- **Onshore bonds unlikely:** Management has explored the possibility of tapping the onshore market through its 2 onshore entities. However we do not think Yanlord will tap the onshore bond market given: 1) Both entities just meet the minimum requirements of RMB3.5bn in capital and given the limit on issuance of 40% of capital, Yanlord will only be able to raise about RMB1.4bn; 2) Yanlord's existing onshore cost of bank borrowings is lower than its peers at ~6.5% due to banks recognising the quality of the collateral (prime land and projects) that the company puts up.

- **Land acquisitions could be on the cards but hard to find value in current land market :** Yanlord has been very cautious in landbanking, acquiring a sole 171,200 sqm GFA prime residential site in Suzhou for RMB1.35bn in 2014 and has refrained from land acquisitions so far this year. As a result, land bank has been dwindling, decreasing from 5.14mn sqm in 2013 and 4.87mn sqm in 2014 to 4.77mn sqm as at 30 Jun 15. Although the company typically acquires sizable land parcels that enable multiple-phase developments in prime locations, we like that management has established strict acquisition criteria, and has been prudent in the land market. That said, management has been monitoring the land market and we expect Yanlord to replenish its land reserves in 2016.

- **Credit profile improved due to good performance in 2015:** Cash balance increased from RMB6.59bn as of end-2014 to RMB12.12bn, mainly due to strong collections from contracted sales. Debt position decreased from 19.9bn as of end-2014 to RMB18.79bn. As a result net debt position decreased to RMB6.67bn from RMB13.3bn as of end-2014 while net gearing fell to 22.8% from 45% in 2014. LTM debt/EBITDA improved to 6.28x (2014:7.40x) and 2.19x (2014: 4.93x) on a gross and net basis, respectively. EBITDA/interest coverage improved slightly to 1.98x from 1.80x. Liquidity was adequate with cash balance of RMB12.12bn sufficient to cover RMB5.62bn of short term debt by 2.15x.

Yanlord Land Group Ltd

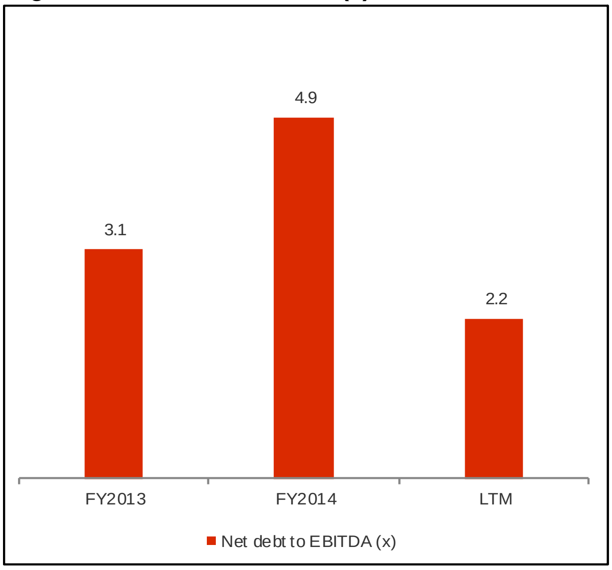
Table 1: Summary Financials

Year Ended 31st Dec	FY2013	FY2014	LTM
Income Statement (RMB'mn)			
Revenue	11,280	11,733	13,828
EBITDA	3,260	2,676	2,979
EBIT	3,225	2,645	2,944
Gross interest expense	1,197	1,490	1,504
Profit Before Tax	3,738	3,598	3,924
Net profit	1,474	1,359	1,312
Balance Sheet (RMB'mn)			
Cash and bank deposits	7,112	6,620	12,171
Total assets	61,439	67,327	77,689
Gross debt	17,310	19,806	18,700
Net debt	10,198	13,186	6,530
Shareholders' equity	27,858	29,373	29,195
Total capitalization	45,168	49,179	47,895
Net capitalization	38,056	42,559	35,725
Cash Flow (RMB'mn)			
Funds from operations (FFO)	1,509	1,390	1,348
CFO	2,219	-256	11,136
Capex	240	479	657
Acquisitions	177	0	0
Disposals	29	12	32
Dividends	807	721	794
Free Cash Flow (FCF)	1,979	-735	10,478
* FCF Adjusted	1,024	-1,443	9,716
Key Ratios			
EBITDA margin (%)	28.9	22.8	21.5
Net margin (%)	13.1	11.6	9.5
Gross debt to EBITDA (x)	5.3	7.4	6.3
Net debt to EBITDA (x)	3.1	4.9	2.2
Gross Debt to Equity (x)	0.62	0.67	0.64
Net Debt to Equity (x)	0.37	0.45	0.22
Gross debt/total capitalisation (%)	38.3	40.3	39.0
Net debt/net capitalisation (%)	26.8	31.0	18.3
Cash/current borrowings (x)	2.0	3.2	2.2
EBITDA/Total Interest (x)	2.7	1.8	2.0

Source: Company, OCBC estimates

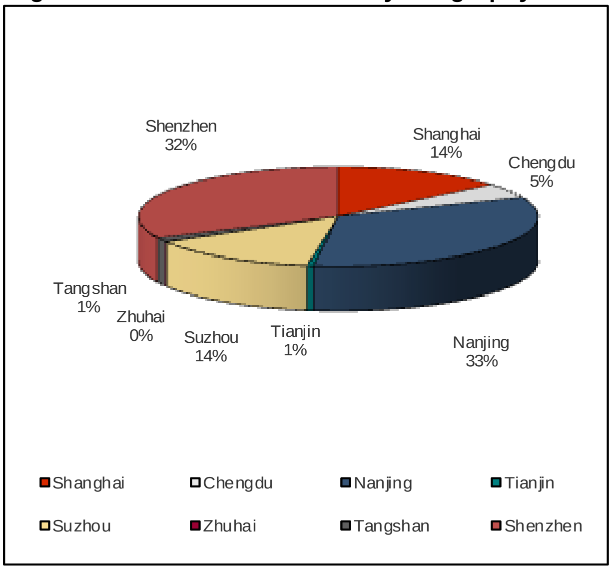
** FCF Adjusted = FCF - Acquisitions - Dividends + Disposals*

Figure 1: Net Debt to EBITDA (x)



Source: Company

Figure 2: Revenue breakdown by Geography - 9M2015



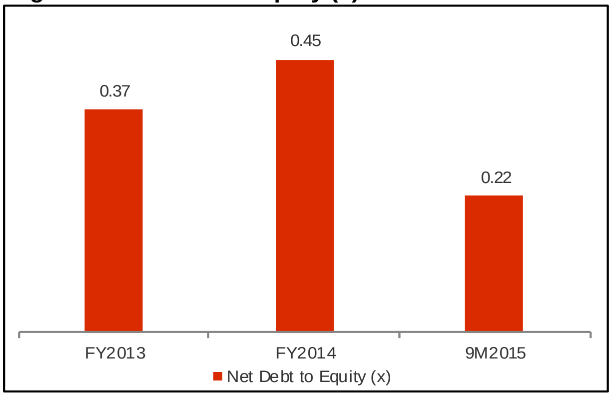
Source: Company

Figure 3: Debt Maturity Profile

Amounts in HKD'mn	As at 30/9/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	2969.0	15.8%
Unsecured	2652.0	14.1%
	5621.0	**29.9%**
Amount repayable after a year		
Secured	5354.0	28.5%
Unsecured	7821.0	41.6%
	13175.0	**70.1%**
Total	**18796.0**	**100.0%**

Source: Company

Figure 4: Net Debt to Equity (x)



Source: Company, OCBC estimates

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The credit research team would like to acknowledge and give due credit to the contributions of Lee Chok Wai, Jenson Lim, and Chan Ker Liang.